Active ownership

2019 Proxy and engagement report

russellinvestments.com

Contents

A message from our CIO

Dear Clients,

At Russell Investments, we believe that active ownership of your holdings is an essential prerequisite to achieving best in class investment outcomes for our clients. We take our fiduciary duty to act as good stewards of your assets through proxy voting and shareholder engagement very seriously. Every year we vote tens of thousands of decisions that come our way based on well-developed guidelines and careful review of the issues. Additionally, we regularly engage with corporations where we have a material ownership stake on your behalf with the goal of promoting changes that protect and enhance shareholder rights, value and interests.

Our proxy voting and engagement policies and procedures have been centered on adding value to our portfolios for decades. As Principles for Responsible Investing (PRI) signatories, we place specific importance on conducting an active ownership program that is integrated with our investment approach and incorporates environment, social, and governance (ESG) goals.

Russell Investments' Responsible Investing Beliefs clearly identify the relationship between these tasks. Specifically, we believe:

- ESG factors impact security prices. These factors can vary by company, industry, and region and their importance can vary through time.
- A deep understanding of how ESG factors impact security prices is value-adding to a skillful investment process.
- Embedding ESG considerations into a firm's culture and processes improves the likelihood of prolonged and successful investing.
- Active ownership of securities is an effective tool for improving investment outcomes.

These beliefs demonstrate our commitment to being good stewards and following best practices. Moreover, we continue to evolve our practice to tighten our focus on shareholder outcomes and to advance ESG goals, which are, in turn, tied to our own **corporate values**.

This report captures our progress in advancing and implementing our active ownership activities in 2019, demonstrating our commitment to our clients, the PRI, and regional stewardship codes.

We welcome feedback on this publication. To share your comments with us, please contact your Russell Investments representative or write directly to:
proxymailbox@russellinvestments.com

Sincerely,

Peter Gunning

Chief Investment Officer, Russell Investments

Industry commitments

Our commitment to an economically efficient, sustainable global financial system is reflected in our support for industry bodies that foster best practices in the areas of active ownership and stewardship.

PRI

As a globally recognized proponent of responsible investment, the UN-supported Principles for Responsible Investing (PRI) provides resources and best practices for investors incorporating ESG factors into their investment and ownership decisions. As a signatory to the PRI since 2009, Russell Investments has a long-standing relationship with the organization and has completed the annual PRI assessment every year since 2013. In this survey, we provide information regarding our firm's strategy and governance for implementing the Six Principles for Responsible Investment. The Principles are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. We remain actively involved with the PRI, attending annual conferences and global seminars, and engaging on discussions of mutual interest.

The PRI's six principles for Responsible Investment

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

In the 2019 PRI Assessment, Russell Investments scored A or A+ on all assessment modules, consistently higher than the median score of all respondents. Tables 1, 2 and 3 detail the results of the PRI Assessment Report.

Exhibit 1: Strategy and governance

	2014	2015	2016	2017	2018	2019
Russell Investments	A	A	A+	A+	A+	A+
Signatory Median	N/A	B	B	A	A	A

Exhibit 2: Listed equity – Active ownership

	2014	2015	2016	2017	2018	2019
Russell Investments	B	C	A	A+	A	A+
Signatory Median	N/A	B	B	B	B	A

Table 3. Summary scorecard

AUM	MODULE NAME	YOUR SCORE	YOUR SCORE	MEDIAN SCORE
	01. Strategy & Governance	A+		A
Indirect – Manager Selection, Appointment & Monitoring				
10-50%	02. Listed Equity	A+		A
<10%	03. Fixed Income – SSA[1]	A+		B
<10%	04. Fixed Income – Corporate Financial	A		B
<10%	05. Fixed Income – Corporate Non-Financial	A+		B
<10%	06. Fixed Income – Securitized	A		B
<10%	08. Property	A+		B
<10%	09. Infrastructure	A		A
Direct & Active Ownership Modules				
10-50%	10. Listed Equity – Incorporation	A+		B
10-50%	11. Listed Equity – Active Ownership	A		B
<10%	12. Fixed Income – SSA	Not reported		
<10%	13. Fixed Income – Corporate Financial	Not reported		
<10%	14. Fixed Income – Corporate Non-Financial	Not reported		
<10%	15. Fixed Income – Securitized	Not reported		

Russell Investments' 2019 PRI Assessment and Transparency Reports as well as the PRI methodology can be found at russellinvestments.com/us/corporate-responsibility/responsible-investing

UK Stewardship Code

As part of our commitment to ensuring that we follow stewardship best practices, Russell Investments continues to be a signatory of the 2012 UK Stewardship code and maintains the 7 principles. Like the PRI, the Code provides a set of guiding principles for the standards of good stewardship. Given our unique structure, we implement our stewardship responsibilities in a differentiated fashion by:

- Providing oversight and monitoring of external asset managers that we employ in our investment portfolios
- Providing oversight of companies held within our portfolios through corporate engagement and proxy voting

In 2016, the Financial Reporting Council (FRC) altered their assessment approach by applying a three-tier system to the Stewardship Code Statements for asset managers. This three-tier system is intended to demonstrate the level of commitment by an asset manager to the Stewardship Code principles (tier one being the highest level of commitment). In 2017, Russell Investments was categorized as a tier one signatory – meaning that we were proven to meet the quality and transparency requirements of the Code. Our tier one UK Stewardship code status, in conjunction with our high scores on the PRI, exemplifies the level of importance we place on governance best practices and appropriate disclosure. Russell Investments intends to be a signatory of the new UK Stewardship 2020 Code and will be aiming to submit first stewardship reports under the new code to the FRC in 2021.

If you would like to receive a copy of Russell Investments' UK Stewardship Code statement, please visit **Russellinvestments.com/us/corporate-responsibility/responsible-investing** or contact your Russell Investments' representative.

> *Russell Investments intends to be a signatory of the new UK Stewardship 2020 code and will be aiming to submit first stewardship reports under the new code to the Financial Reporting Council (FRC) in 2021.*

Japan Stewardship Code

Modelled after the existing UK Stewardship Code, Japan's Stewardship Code was established by the Financial Services Agency of Japan (FSA) in 2014. The Code is closely aligned with PRI's second principle on active ownership and the incorporation of ESG issues into ownership policies and practices. It calls on shareholders to disclose how they vote at annual general meetings and to engage more actively with company management, with the goal of promoting the sustainable growth of companies through investment and dialogue. Over 250 institutional investors notified the FSA of their intention to accept the Stewardship Code.

In early 2017, the FSA reformed some principles within the Code. One of the most significant changes made was to encourage increased transparency – seeking to bring investors greater insights into potential weaknesses in corporate governance practices.

Following this, in order to enhance the Code's effectiveness, further revision in 2020 is expected to require points such as the consideration of sustainability, including ESG factors corresponding to the investment strategy, and the endeavor of service providers for institutional investors to provide appropriate services to fulfil their stewardship responsibilities.

We expect these changes will lead to increased willingness on the part of Japanese corporations to engage with investors to improve and foster corporate value and sustainable growth.

Russell Investments intends to revise its published terms of compliance in accordance with the expected revision of the Japan's Stewardship Code in 2020.

Our approach

Russell Investments is dedicated to actively managing our clients' investments and to meeting their full goals of sustainable financial security. Active ownership, or proxy voting and engagement, is an important component of our investment solution set and value creation process. These are the means by which we most directly communicate with and influence the actions of companies and markets in which we invest. Through proxy voting and engagement, our goal is to effect positive change on the issues that drive investment risk and reward. And, because our investment approach brings the world's leading managers and strategies together into diversified portfolios, we occupy a unique point of influence between our clients, investment manager partners, standards bodies, and corporate entities.

Our active ownership approach reflects our belief that a focus on ESG issues is an important driver of value generation and risk mitigation. The inclusion of ESG considerations helps us focus on long-term risks and opportunities. For example, we believe that well-governed firms are more efficient, adaptive, and positioned for better returns, and that proactive management of environmental and social issues helps companies avoid systemic risks.

To achieve our clients' aims, we have built a comprehensive proxy voting process and integrated engagement program that is directed by our Proxy and Engagement Committee ("the Committee"). The Committee includes investment professionals who are globally distributed and bring diverse geographic perspective and skill sets. The members and contributors to the process come from manager research, portfolio management, quantitative and capital markets research, and portfolio implementation roles. Further, the Committee works closely with other groups that promote and manage our ESG efforts including the Responsible Investment Committee, ESG Knowledge Specialist (EKS) Team, and Corporate Social Responsibility Reporting team.

We believe broad and collaborative participation is essential to an integrated approach.

> *We occupy a unique point of influence between our clients, investment manager partners, standards bodies, and corporate entities.*

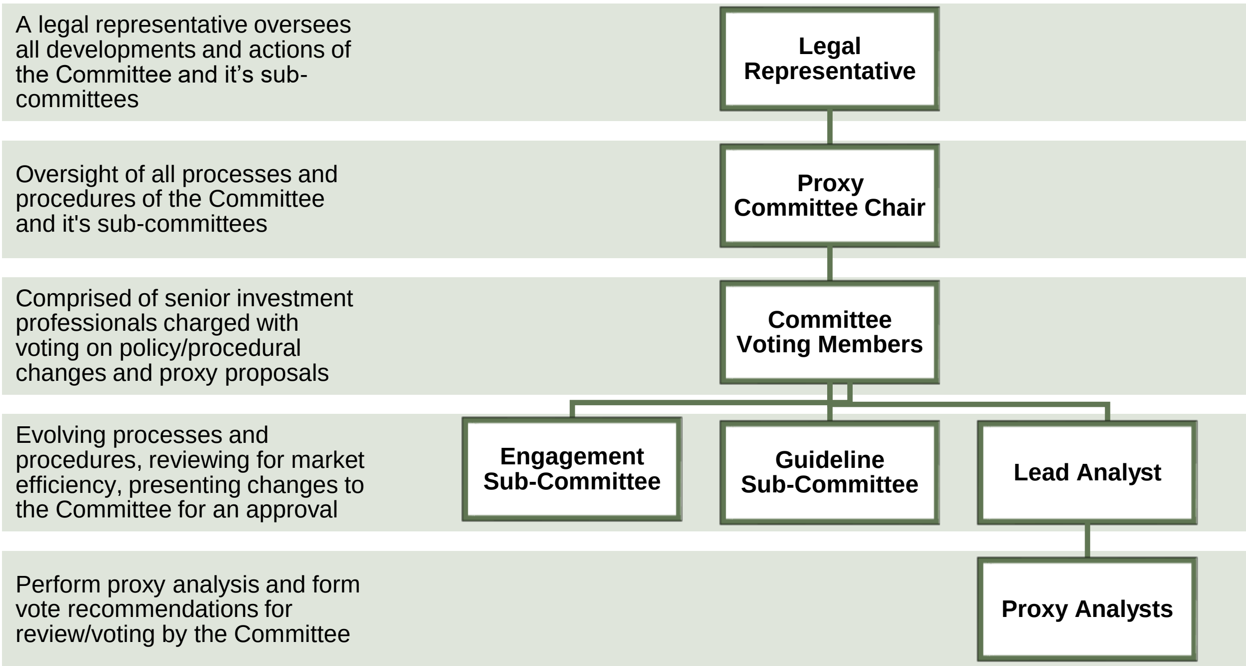
Proxy voting

For 30 years, Russell Investments has executed a robust proxy voting program built on policies, processes and guidelines that are consistently evaluated and evolved. The Committee establishes and oversees our proxy voting policies, procedures, guidelines, and voting decisions, and it continues to adapt our processes to meet evolving client needs and expectations. The Committee is made up of Russell Investments' professionals from a variety of roles including portfolio management, manager research, and investment strategy, and all proxy voting and engagement activities are advised by a member of Russell Investments' legal team.

Within the Committee, our Guideline Sub-committee meets regularly to review and propose adjustments that ensure our guidelines are aligned with current best practices, and our Engagement Sub-Committee directs and monitors our engagements with public companies, our sub-advisers, and other market participants.

This organizational structure and the diverse set of participating investment professionals keeps our active ownership function centered within our investment process. We don't segregate the work to a specialist team; Russell Investments retains a firm, fiduciary hand on all of our active ownership activities.

Organizational structure



Russell Investments has chosen Glass Lewis as our external proxy administrator, and we review the relationship annually. They provide research and proxy voting execution services, subject to ongoing supervision by our internal proxy coordinator and oversight by the Committee. Glass Lewis conducts research regarding each proposal presented for a vote, then evaluates each matter using our guidelines and takes action that is consistent with these guidelines on our behalf. When ballots present unique issues or topics not specifically set out in the guidelines, the proposal(s) are referred to the Committee for a vote. Each year the members of our Guideline Sub-committee review these guidelines and recommend changes, as needed, to adapt to emerging issues. All revisions are debated and ratified by the Committee under oversight by our legal counsel.

Engagement

Good stewardship practices are best implemented not only through proxy voting activities, but by being an engaged shareholder. Our objective, through our active ownership activities, is to provide an integrated and inclusive approach to promote changes that protect and enhance shareholder value and shareholder rights. We find that corporate engagement is an important step to affecting positive change, since it allows us to address outstanding issues directly with companies.

While our engagement process and activities are led by our Engagement Sub-committee, the participants include a wide group of investment professionals from both research and portfolio management roles who are based in offices around the world.

As a premier investment solutions partner with multi-asset and multi-manager capabilities, we leverage a broad set of relationships to exert influence and enable multiple levels of engagement. These relationships extend across three groups: engagement with and through sub-advisors, collaborative engagements with market participants, and of course direct corporate engagements. These connections also provide information sharing and serve as an important feedback loop into our active ownership process.

Direct Corporate Engagements

The most common method of engagement takes place directly with companies held within our portfolios. Each discussion aims to encourage self-correction, allowing management to assess and address shareholder concerns in a timely manner. Our intent is to improve corporate governance practices as well as bring ESG risk awareness to management. Maintaining positive, long-term relationships allows us to enhance shareholder value and rights. For this reason, we do not typically disclose company names in our engagement case studies.

Investment Partner Dialogue

Given our distinctive position as a leading multi-asset manager, we are able to leverage our relationships with our sub-advisors to provide an informed and integrated approach to active ownership. Sub-advisors are hired to play targeted, value-enhancing roles in our portfolios. Day-to-day they are routinely in close proximity to our investee companies, so it is natural that their insights and recommendations regularly contribute to our engagement and voting processes.

Collaborative Engagements with Market Participants

These engagement activities are held in coordination with other stakeholders and allow us to combine our resources behind common objectives while staying on top of industry and market trends. In addition, discussions with non-affiliated market participants, such as through industry forums, deepen mutual understanding on the drivers of shareholder value and rights. We utilize the knowledge gained from these engagements to expand our reach and enhance our voting guidelines, engagement themes and active ownership processes.

Russell Investments continues to evolve our engagement practice to further our impact. In early 2020, we were pleased to add our support to the “Climate Action 100+” initiative as an investor signatory. Climate Action 100+ is an investor initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change. The list of target companies includes 100 ‘systemically important emitters’, which account for two-thirds of annual global industrial emissions, as well as more than 60 other companies with significant opportunities to drive the clean energy transition. We look forward to sharing more about this commitment in our 2020 report.

Engagement selection

When choosing among engagement opportunities, we take into account three primary criteria: 1) past and current proxy items, 2) ESG analysis performed in-house and by our third-party vendor of ESG metrics, currently Sustainalytics, and 3) Russell Investments’ ownership levels. In addition, Russell Investments has chosen six focus areas for engagement, as described below. These factors in combination highlight a robust set of engagement opportunities with meaningful potential impact.

While any proxy item can be the genesis of an engagement, shareholder-sponsored proposals are a frequent source of outreach activities. Clear and practical proposals are necessary prerequisites to adding shareholder value, so proposals on topics that we favor but which are poorly drafted or overly prescriptive are not endorsed by the committee but are considered good opportunities for engagement. In these cases, our integrated engagement efforts support and complement our proxy voting process since, through engagement, we can communicate our support of the issues and encourage positive change, irrespective of our vote.

Other engagements directly support the discovery process leading up to a Committee vote. This gives the Committee a more comprehensive understanding of the potential impact of current and future proposals upon which the Committee is asked to vote.

Finally, companies that are identified as highly exposed to ESG risks, either by our provider or by our in-house analysis, offer engagement potential since reducing risk is one means of protecting shareholder value.

> *In early 2020, we were pleased to add our support to the “Climate Action 100+” initiative as an investor signatory.*

Engagement selection criteria

Proxy ballot

- Voting against management proposal
- Controversial issues or contentious shareholder proposals

ESG data and analysis

- Companies identified via our analysis or by Sustainalytics as facing high ESG risks
- High controversies and risks listed in the report

Ownership levels

- We attempt to engage with companies in which we hold a meaningful and impactful weight, typically defined as ownership above 1.5% of shares outstanding.

Engagement focus areas

We make a concerted effort to focus on the issues that we believe could offer the greatest positive impact on shareholder value and rights. We maintain a strong focus on governance as shareholder interests are best served when management is clearly accountable for corporate performance and boards serve as a reasonable check to activity.

Transparency is also an over-arching theme because shareholders can best gauge the value of their ownership stake when the corporation's policies and actions are visible. It follows that incomplete information hampers investors' efforts to accurately assess companies' practices and push for change. This can be especially true in relation to ESG issues which lack a deep history of corporate analysis and reporting. Therefore, we believe that, with many companies, promoting transparency and standardized reporting is a valuable and necessary first step to change. Because we acknowledge that companies can face resource constraints in attempting to meet a diverse set of reporting requirements and guidelines, we endorse industry standard frameworks where possible, such as the CDP (formerly known as the Carbon Disclosure Project), the Task Force on Climate-related Financial Disclosure (TCFD), and the Sustainability Accounting Standards Board's (SASB) standards, which are designed to identify material sustainability factors per industry.

In 2019, we organized our engagement efforts among the following six categories: compensation, independence/accountability, diversity, environmental stewardship, climate risk reporting, and cyber security.

Compensation

We believe that aligning executive compensation with corporate performance is in shareholder best interests. This is a frequent topic of engagement for companies with poor compensation structure, or a pay-for-performance disconnect. Votes may be withheld from directors who serve on compensation committees where the company has maintained poor compensation practices.

Independence / Accountability

The board of directors is the focal point of corporate governance – directors represent the shareholders and are charged with safeguarding investors' interests. Shareholder interests are best represented by an independent, accountable, responsive, and diverse board of directors. If the board, by our evaluation, has not made significant progress towards implementing strategies to address shareholder concerns, we will consider voting against board members.

Diversity

There is increased recognition that a diverse team leads to greater successes than a non-diverse team, with benefits including better task performance and greater organizational stability. With that in mind, we focus our engagement efforts in this area on increasing awareness of the impact of diversity on firms' investment performance and culture. Proposals requesting an increase in gender or racial minority representation are individually reviewed and voted on a case-by-case basis.

Environmental stewardship

Since there is the potential for both significant financial and reputational risks resulting from a company's sustainability practices, it is important that companies provide adequate disclosure regarding the steps being taken to mitigate these risks to their shareholders. We encourage appropriate disclosure on ESG issues, identifying areas in which a company is lacking or lags peers.

Climate risk reporting

We recognize the risk from poor disclosure and the potential for negative financial impact from climate change on a business. In an effort to support industry-standard reporting, and to better assess companies relatively, we promote increased transparency where appropriate. We believe increased disclosure will enable a thorough assessment of risk and return.

Cyber safety

Insufficient attention and protocols surrounding client data and privacy can lead to considerable monetary losses. Increased disclosure is important to understand board oversight of these risks and the company's procedures to reduce vulnerabilities.

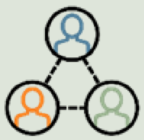
While these issues are foremost in our engagement program, we acknowledge that there is a wide range of worthwhile shareholder concerns. Therefore, we continually review and adapt our activities and areas of focus to address emerging investment risks and opportunities consistent with our clients' best interests.

More information on this approach can be found on our website russellinvestment.com/us/about us/responsible investing.

[1] SSA refers to an asset class including Supranational, Sovereigns, Government agencies and Sub-nationals.

ESG dedicated experts

Because Russell Investments believes that ESG issues have the potential to impact investment opportunities and risks, we have established complementary ESG resource groups that are fully integrated across our company and with our investment and ownership processes. These groups frequently operate in partnership with the Proxy and Engagement Committee to further our research and knowledge on ESG issues and to address investment and operating issues and opportunities as they unfold. Each ESG resource group includes representatives from a variety of asset classes and regions, allowing us to adapt to market and client requirements.

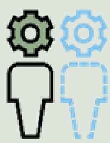


Responsible Investment Committee

Enhance Russell Investments' ability to meet investment and market demands for responsible investing.

Corporate Social Responsibility Reporting Group

Enhance Russell Investments' reporting on corporate responsibility including diversity and inclusion, community involvement, environmental practices and responsible investing.



ESG Knowledge Specialist Team (EKS Team)

Tasked with ensuring appropriate levels of focus and knowledge are applied in incorporating ESG issues in the overall manager evaluation process.

While we have a team of designated ESG Knowledge Specialists, ESG reviews and evaluations are a standard component of our manager due diligence process. Our entire team of experienced manager research analysts have a robust and consistent framework with which to evaluate the quality of sub-advisors' ESG insights, resources, and active ownership policies as well as the repeatability of their ESG review processes. The research analysts' findings are formally recorded and incorporated into manager selection and performance monitoring at the manager and fund level.

Worldwide practices

Americas

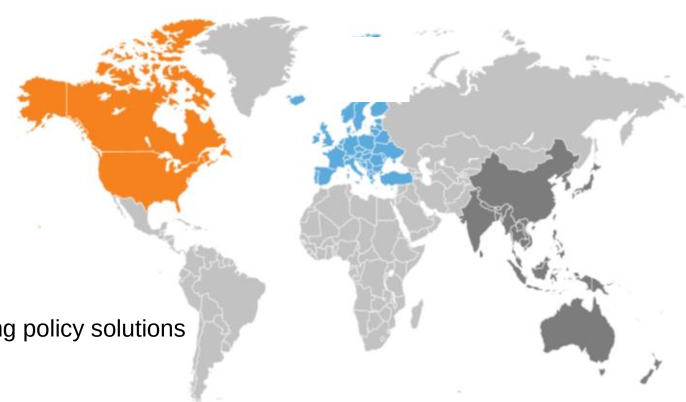
$10.9b AUM

Canadian actively managed ESG portfolio
Selective exclusions

Europe

$38.0b AUM

Wholesale exclusions
Low carbon fund
Tailored responsible investing policy solutions
UK Stewardship Code MiFII
UK Stewardship Code MiFII



Asia Pacific

$7.0b AUM

Japan Stewardship Code
Australian Asset Owners Stewardship Code
Launched first low carbon fund
Wholesale exclusions by investors
Tailored responsible investing policy solutions

Data as of December 31, 2019, shown in USD.

Proxy voting statistics and trends

Russell Investments believes that exercising voting rights is an essential part of the value creation process. It is necessary for ensuring strong corporate governance and for exerting influence on environmental, social, and governance practices. Proxy voting is the tangible expression of Russell Investments' research and analysis of corporate practices, enclosing ESG matters.

In 2019, our firm voted more than 90,000 proxies on behalf of our global client base. While we rely on Glass Lewis to provide research and perspective into matters being voted on by the Committee and to administer our voting decisions, we rely first and foremost on robust, independently crafted guidelines. Our independence is evident: we voted contrary to Glass Lewis' recommendations on 4% of voted proposals and against management on 12% of all proposals. The primary reason for votes against provider is our more stringent stance on corporate governance practices, such as election of directors, and votes against compensation programs. Compensation-related votes alone contributed to nearly a third of the votes against the provider. Board- and compensation-related items also accounted for the majority of our votes against management with capital allocation being the third largest category.

2019 Global proxy annual review and statistics

92,902	9,512	3,705	11,059
Proposals voted	Meetings voted	Votes against provider	Votes against management

	MEETINGS	AGENDA ITEMS	VOTES AGAINST MANAGEMENT	VOTES AGAINST PROVIDER	SHAREHOLDER PROPOSALS
Q1	1270	10661	15%	7%	0.8%
Q2	5975	66131	11%	3%	1.2%
Q3	1015	8322	13%	4%	0.4%
Q4	1252	7788	11%	4%	0.8%
TOTAL 2019	9512	92902	12%	4%	1%

Global voting statistics

While environmental and social concerns are a meaningful driver of shareholder action, the most common shareholder-sponsored proposals associated with our clients' holdings in 2019 across all regions continue to be centered on governance issues, such as the election of dissident and independent board members, compensation, and various board composition issues. Topics under this general heading accounted for approximately 50% of all shareholder initiatives.

Because we offer global investment solutions, our proxy voting reach and responsibilities extend across multiple economic regions. Below we highlight proxy trends and statistics by region.

►U.S. and Canada vote statistics

2,033	472	619
Votes against management	Votes against provider	Shareholder proposals

Election of directors and executive compensation continue to be our top issues voted against management. In 2019, votes regarding the election of directors represented 50% of votes against management (consistent with 2018, when the same figure was 54%). Poor remuneration policies, independence issues and low meeting attendance continued to be the top reasons for voting against directors. We maintain strict policies regarding proper company oversight and seek to hold directors accountable for poor governance practices.

Votes against Glass Lewis were primarily regarding election of directors at 24% and votes related to equity compensation plans collectively represented almost a third (32%) of the votes. Where Glass Lewis may have voted for such proposals, allowing companies the additional time to adjust processes and align with market practice, we believe voting against will demonstrate our concerns and indicate to management that changes are necessary.

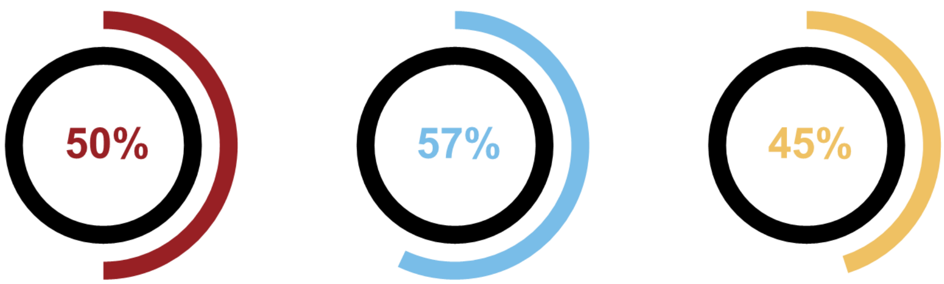
> *We voted for proposals advocating for an independent board 73% of the time and voted for the dissident board member in 97% of the related proxy items.*

Exhibit 1: U.S. and Canada vote statistics (%)

50% of our votes against management were regarding election of directors.

57% of our votes against Glass Lewis were on proposals regarding compensation.

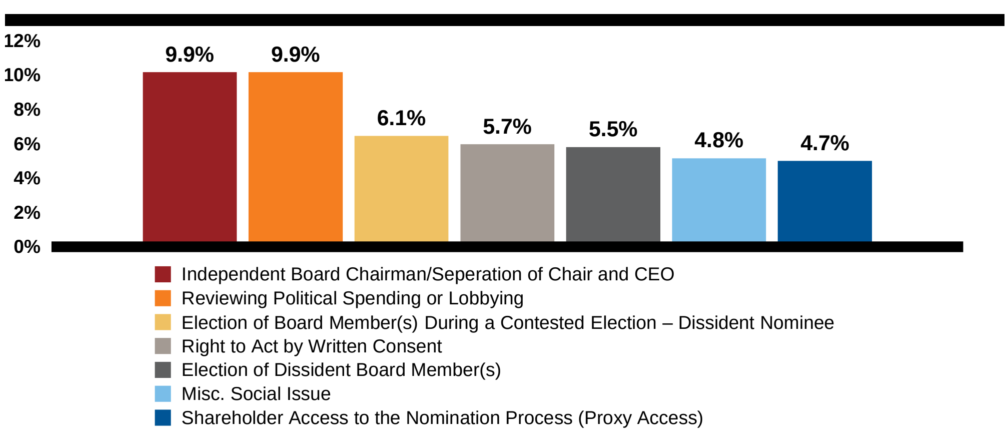
Voted for over 45% of shareholder proposals.



U.S. and Canada shareholder proposals

Shareholder proposals voted on by Russell Investments in North America this year were focused primarily on governance; this category accounted for 55% of all proposals. Collectively, proposals regarding independent chair leads, as well as dissident board members and issues around board composition represented over a quarter (25.5%) of the total shareholder proposals voted. We voted for proposals advocating for an independent board 73% of the time and voted for the dissident board member in 97% of the related proxy items. Protecting and enhancing shareholder rights is a main pillar of our active ownership principles, so it is no surprise that we supported almost 85% of special meeting shareholder proposals.

U.S. & Canada Shareholder Proposals (as a % of total shareholders proposals)



Energy companies have been receiving increased scrutiny around various risks posed in relation to fossil-fuels, gas and other “unclean energy” sources. Acknowledgement of these concerns is growing amongst energy companies, and many are voluntarily improving their risk reporting. Nearly 2% of voted shareholder proposals were related to increased climate risk/reporting. Meanwhile, shareholder proposals requiring race and/or gender pay equity reports were just over 2% of SHPs in 2019 and reporting on a company’s compliance with human rights standards accounted for approximately 3% of SHPs. These figures were also largely unchanged year-over-year.

While sustainability and climate change risk continue to be a concern for shareholders in North America, Glass Lewis reported that climate change resolutions declined by approximately 6% from 2018[ii]. The proxy advisor speculated that it may be partly due to the swift uptake in reporting. Shareholder attention remains focused on climate and sustainability, however; new trends around food waste, water and pesticides usage, as well as packaging emerged during 2019.

Russell Investments remains focused on promoting transparency around environmental and sustainability risks and opportunities. Where appropriate, we encourage companies to report according to the TCFD or similar standards-based frameworks. Many companies are voluntarily moving toward increased disclosure, so our Committee’s evaluation of climate change-related proposals considers whether a company is already making progress in this area and whether it is providing sufficient information as compared to peers. The Committee is increasing its scrutiny of those companies that are lagging behind peers.

Where appropriate, we encourage companies to report according to the TCFD or similar standards-based frameworks.

►Europe vote statistics

2,183	938	276
Votes against management	Votes against provider	Shareholder proposals

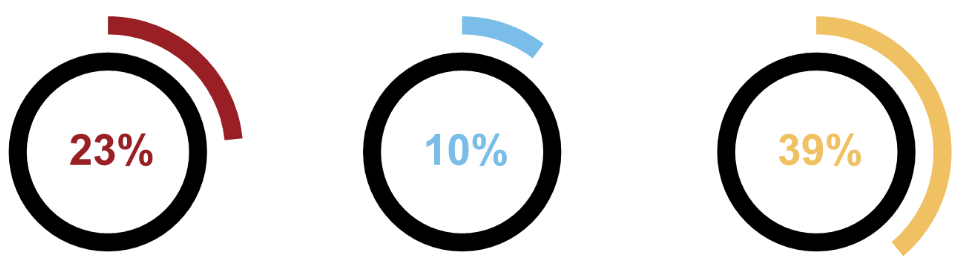
Our votes against Glass Lewis were primarily due to our differing guidelines of general meeting notice period requirements. In 2019, we voted for the shortening of general meeting notice periods that are set to a 14-day period unless Glass Lewis recommended a vote against, in which case we voted on a case-by-case basis. In addition, during the season we focused on remuneration policies, 10% of our votes again provider related to a disconnect between pay and performance regarding executive compensation.

Exhibit 2: Europe vote statistics (%)

23% of our votes against management were regarding election of directors.

10% of our votes against Glass Lewis were related to remuneration or compensation programs.

Voted for approximately 39% of shareholder proposals.

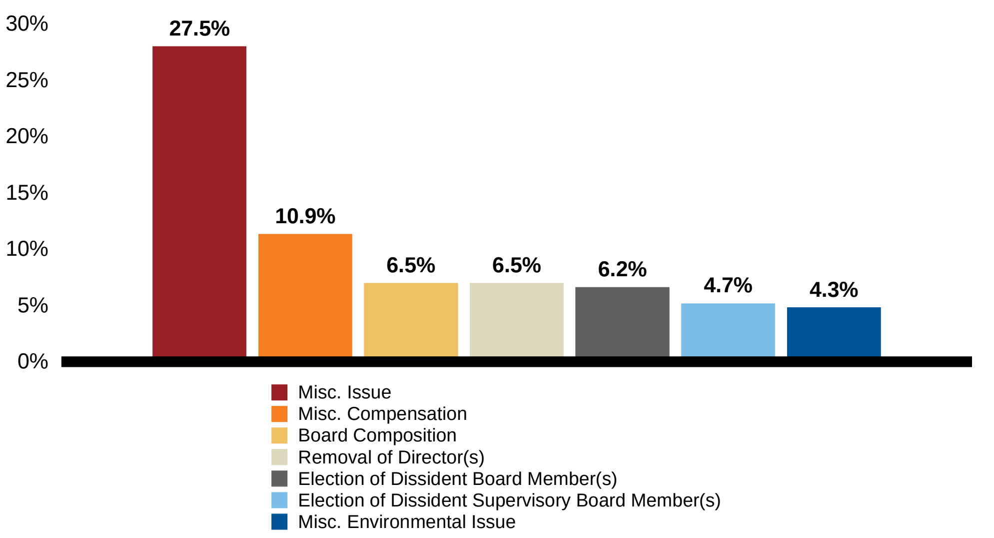


Europe shareholder proposals

Russell Investments maintains stringent views on appropriate corporate governance and, in the case of contested meetings, evaluate board members according to company performance comparable to peers, management track record and responsiveness, as well as proposed objectives and goals. That being said, we voted against approximately 57% of dissident nominees due to poor drafting, lack of information and the inability of proponents to convey how the nominee would improve company targets and goals. Glass Lewis has noted that increasing diversity among board members and executives remained one of the main themes of shareholder proposals in 2019[iii], and we expect to see more advocacy on this topic in 2020. Diversity remains one of our focus areas for engagement.

> *Increasing diversity among board members and executives remained one of the main themes of shareholder proposals in 2019, and we expect more advocacy on this topic in 2020.*

Europe Shareholder Proposals (as a % of total shareholder proposals)



► Australia vote statistics

211	98	33
Votes against management	Votes against provider	Shareholder proposals

Shareholder interests are best represented by an independent, accountable, responsive, and diverse board of directors. Election of directors were voted against largely due to poor management oversight, over-commitment and independence issues. Independence is necessary to ensure that the board is able to effectively set company strategy and scrutinize company practices. Company directors must also be accountable to shareholders and companies should institute policies which promote this accountability. Additionally, we voted against advisory proposals where executive compensation was not linked to performance of the company.

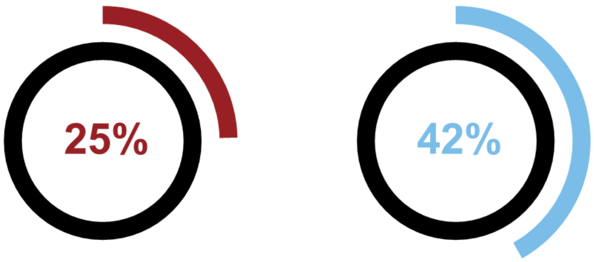
Our votes against Glass Lewis were primarily due to our differing guidelines regarding changes to company statuses, specifically anti-takeover provisions. Russell Investments' voting guidelines state we vote against proposals where management requests to issue shares defensively in the event of a takeover offer or exchange bid

Exhibit 3: Australia vote statistics (%)

25% of our votes against management were regarding election of directors.

42% of our votes against Glass Lewis were regarding stock option grants.

Voted for 3% of shareholder proposals.

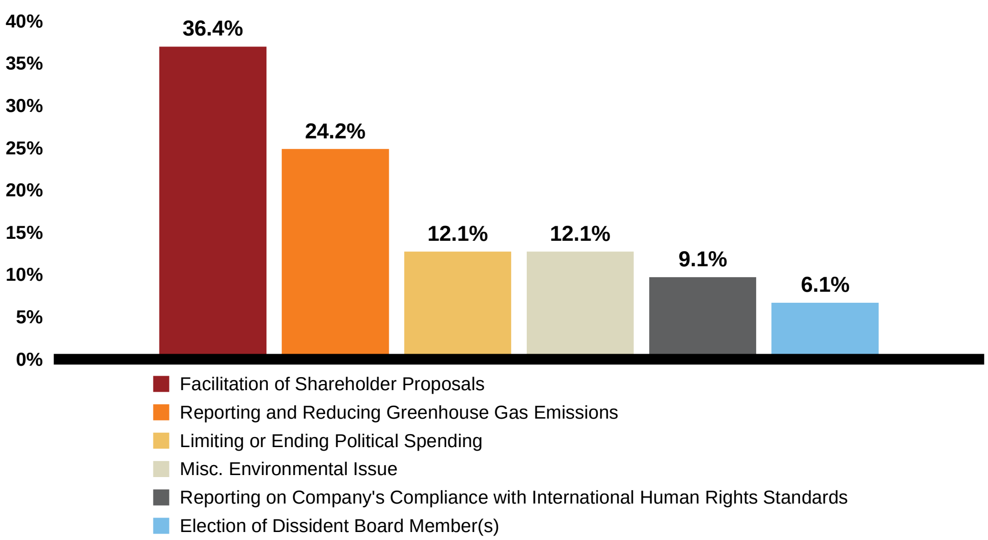


Australian shareholder proposals

Following an upsurge of shareholder proposals in Australia in 2018 the number of proposals declined but remained high at 33 in 2019. The majority of these sought facilitation of non-binding shareholder proposals. We agreed with Glass Lewis that changes to this proposal process is best handled through regulatory changes as opposed to private ordering, so we did not support this movement.

As we anticipated last year, the number of sustainability and environmental proposals being put to a vote rose, and those relating to greenhouse gas emissions accounted for over 24% of all proposals within the region. While we voted against the majority of these because they were poorly worded or overly prescriptive, we selected some for engagement as noted under "Engagement Statistics and Trends" below.

Australia Shareholder Proposals (as a % of total shareholder proposals)



► Japan vote statistics

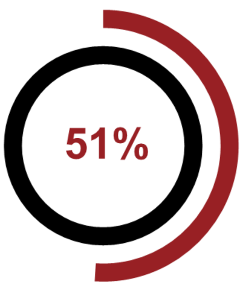
1,563	184	127
Votes against management	Votes against provider	Shareholder proposals

Because sufficient board independence is still a challenge in Japan, approximately 57% of our votes against management reflected votes against directors or governance concerns while proposals requiring adequate auditor independence and oversight accounted for another 24%.

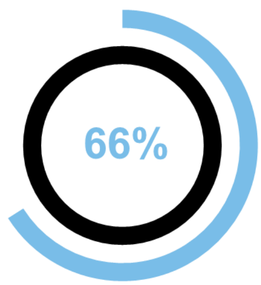
While our vote statistics indicate that we are largely in alignment with Glass Lewis' stance, nearly 66% of our votes against provider were due to key differences in the approach to stock option plans. Glass Lewis supported 79% of the equity plan proposals iv, and in 2019 the most common equity compensation proposals in Japan were Restricted Stock Plans. We vote against grants of restricted stock under plans that do not contain established performance or vesting targets, and we vote against proposals allowing a company discretionary authority to grant options to themselves.

Exhibit 4: Japan vote statistics (%)

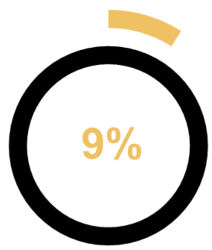
51% of our votes against management were regarding election of directors.



66% of our votes against Glass Lewis were regarding stock option plans.



Voted for approximately 9% of shareholder proposals.

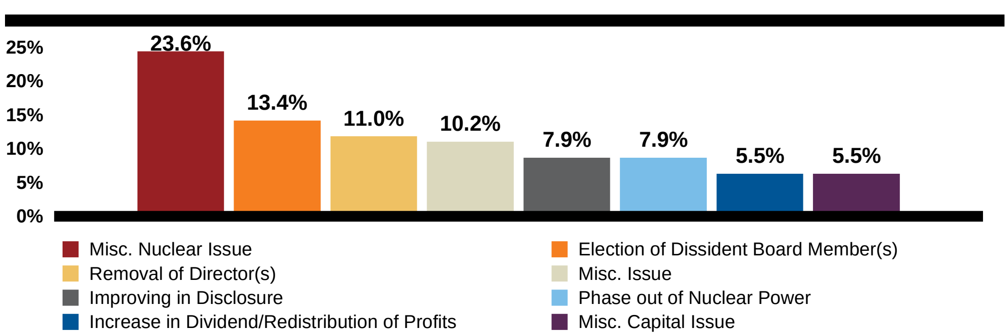


> *While proposals regarding nuclear issues and risks remain high, representing 24% of shareholder proposal, the number related to the election of board members and directors doubled from 2018.*

Japan shareholder proposals

The Corporate Governance Code of Japan was revised to focus on cutting back cross-shareholdings (in general terms, the participation of two companies to each other's capital) and to highlight the need for independence and diversity among board members. As anticipated, the trend of an increasing number of shareholder proposals on Japanese ballots continued, rising from 113 in 2018 to 127 in 2019. Similar to 2018, proposals regarding nuclear power risks and phase outs remained high representing 24%, while the number of shareholder proposals related to election of board members and directors doubled from 2018. Russell Investments supported 50% of shareholder proposals for improved disclosure. Most of these related to individual compensation disclosures.

Japan Shareholder Proposals (as a % of total shareholder proposals)

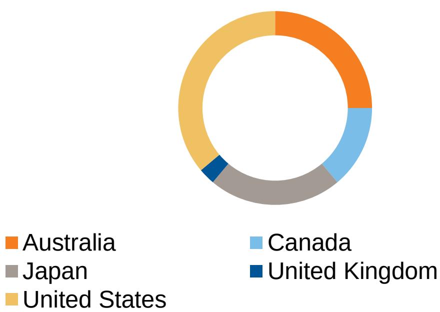


Engagement statistics

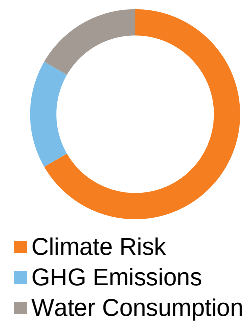
In 2019, approximately 50% of our engagements were related to governance, 30% to environmental, and 20% social topics.

Governance encompasses a broad set of topics, but we believe encouraging the selection of qualified and independent board members remains consistent with promoting shareholder value and achieving positive change across a variety of ESG issues. This issue accounted for 23% of our outreach efforts, but we also made communication on climate risk and diversity high priorities. Climate risk and greenhouse gas emissions (GHG) were the topic of discussion in nearly 20% of engagements. Our agenda revolved around awareness, proper oversight and the importance of increased transparency/disclosure. While companies are increasingly acknowledging the importance of climate risk disclosures and voluntarily publishing reports, it remains an area where many companies can improve. Finally, advocating for diversity on boards, in management, and in the workforce represented approximately 8% of our total engagements in 2019.

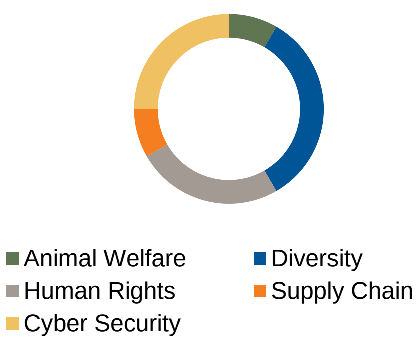
Engagements by country



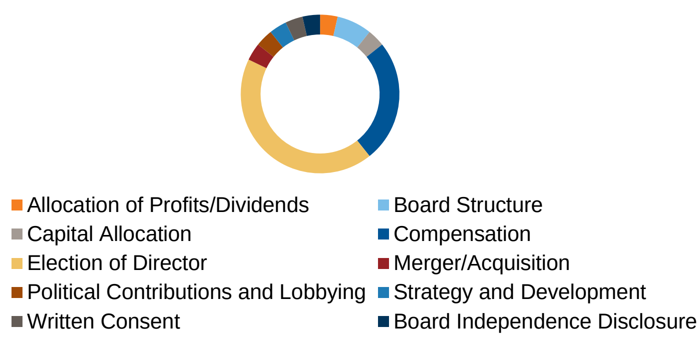
Environmental engagements



Social engagements



Governance engagements



Case studies

► Case Study 1 – *Addressing water-related risks of an electric utility*

U.S. based electric utility

In 2019, we engaged with a large electric utility based in the US on both environmental and governance topics. As the company has significant exposure to renewables, both carbon emissions and water usage were identified as material environmental issues. Adequate disclosures are one of the first things we consider when engaging on this topic. In this case, the company's disclosures met or exceeded their peer group and were noted as acceptable, so the engagement centered on understanding the company's strategy for managing environmental risks, primarily water. The company was able to describe specific asset-level risks but also several strategies in place to manage them. This included identifying most-at-risk assets, examples where water reclamation and processing was in place, particular geographies of sensitivity, and details of which metrics they felt were most meaningful (net usage versus amount withdrawn). Further, they detailed cases where risk was mitigated because the assets required less water than others, the water source was not stressed, or progress was being made on conversion to renewables.

In this engagement action, we also explained what specific metrics we encourage companies to disclose and promoted alignment with an industry sustainability disclosure framework. The metrics requested were water withdrawal and water consumption along with percent of each in high water-stressed regions. We use data like this to evaluate company exposure.

Outcome

We communicated the importance we place on management of the issue, gained a better understanding of strategies in place to mitigate their water-related risks, and offered advice on specific metrics that could be improved. The company expressed interest in continuing dialogue on the topic.

► Case Study 2 – *Board independence and capital allocation*

Japanese software and consulting services

While this engagement was conducted jointly with our sub-advisor partner on-site, it was chosen according to our standard criteria. The company has high ESG risks, and we are a material shareholder.

Greater board independence remains an area of interest for our investment team. We met with a Japanese software and consulting services company to advocate for a higher number of independent directors and for re-allocation of profits to shareholders in the form of a dividend.

The company explained that they want to keep sufficient cash at this stage because they plan to acquire companies which have good technologies. On the other hand, they appeared to understand the connection between positive capital allocation and a strong share price, which is important to staying independent. We believe there are several companies which are interested in buying this company, and we want to encourage a fair price for our clients.

Outcome

The company communicated that if cashflow steadily increases, they will likely increase the dividend accordingly. They understand the necessity of independent directors, but they are struggling to find good candidates who have reasonable level of understanding towards the industry or the technology. We will monitor their progress on both issues.

► Case Study 3 – *Action against overboarding*

U.S. based energy provider

Russell Investments maintains that best practice is for directors to limit their board membership to five or fewer publicly traded companies. We reviewed the slate of directors up for re-election and determined that one director had relevant industry experience, but too many other board positions to be able to allocate an appropriate amount of time to this company. Russell Investments voted against the director. Following the annual general meeting, we scheduled a discussion with the management team to communicate our vote decisions, and the company noted that other investors had also communicated their concerns.

Outcome

We communicated that we will continue to vote against directors that are "over-boarded". We will monitor to see whether the company responds to shareholder concerns and takes action on this issue and follow up as needed.

► Case Study 4 – *Climate transition risk and transparency*

Australian utility company

In 2019 an Australian utility company received shareholder proposals regarding transition planning for climate change and expenditures on pollution controls. Within sectors that have relatively high carbon emissions such as utilities, it is important to understand the company's plans and context for future operations; simply voting in line with shareholder proponents on sensitive and important topics such as climate change is not necessarily in the best interests of shareholders or constructive for the future of the company.

Although we voted against both shareholder resolutions, engaging with the company gave us comfort that climate-related issues are being addressed, and it provided us with catalysts and milestones to monitor to ensure that the transition to a cleaner and lower-emission future is on track. It was noted during the engagement with the company that climate-related disclosure could be improved to give shareholders a better understanding of the plans and risks around the business' transition. The company committed to doing so through more comprehensive 2020 TCFD reporting.

Russell Investments has increased its focus within climate transition planning on water usage. Whilst this was not a specific aspect of the shareholder resolutions put forward to this company, we believe it is an important consideration. The company noted that water is a significant issue to manage on an ongoing basis as power plants rely on water to operate, and whilst they see no risks specifically from water usage at this time, it is an area that requires continued attention and warrants further disclosure to shareholders in the future.

Outcome

This engagement gave us two key watch points for the company in 2020 to assess their transition away from a high carbon footprint. We will monitor the company's TCFD reporting and additional disclosures on water in next year's reporting.

► Case Study 5 – *Environmental impact reporting and compensation*

North American provider of excavation services

We endorsed the company's efforts on environmental stewardship and their reporting thereof, but we inquired why the company had not committed to using TCFD or SASB disclosure standards. We shared our opinion that they should attempt to address material risks for their industry as defined by SASB.

We also discussed the company's compensation proposal and communicated why we voted against it. While our money manager partner endorsed the program and recommended that we vote for it, we determined there was a pay-for-performance disconnect. We noted that we would like to see more emphasis on long-term payouts and separate short- and long-term performance metrics.

Outcome

The company is exploring ways to improve their environmental reporting including the use of a standardized framework. They have taken our recommendation on compensation under advisement. We will monitor the outcomes.

► Case Study 6 – *Compensation tied to ESG criteria*

North American real estate investment corporation

A shareholder proposal regarding linking compensation to ESG criteria received 20% shareholder support. Russell Investments did not view the company as having high ESG risk or deficient compensation structures, so we voted against the proposal, but the company sought our perspective on the topic. We discussed which ESG-related metrics could be added that are both practical and material to shareholder value. Our conversation also encompassed a consideration of which metrics to withdraw in order to maintain adequate relevance across the inputs.

Outcome

We agreed to maintain an open communication on the topic. The company could serve as a positive example for the industry if introduces beneficial ESG-related metrics.

► Case Study 7 – *Discussion on diversity*

Global health services company

One of the company's 2019 annual meeting shareholder proposals was a request for a gender equity pay report. Russell Investments voted against the proposal for several reasons including that the company has a compelling slate of diversity programs in place, and its most recent internal study found no material difference in pay according to gender or race. However, we noted that diversity on the board of directors and leadership team were adequate but not exemplary, and we believed there was room to improve the transparency on pay. During our discussion, we shared our views, and the company outlined its future initiatives, including a pledge to provide more information on compensation policies and practices.

Outcome

We will check for increased disclosures in the company's 2019 annual report and follow up as needed.

► Case Study 8 – *Environmental impact reporting*

Japanese food processing company

We met with a Japanese food processing company on a number of issues including capital allocation and supply chain risk. Russell Investments believes companies should assess and disclose climate change risk. The company acknowledged that global warming will likely have negative impacts, particularly on the sourcing of animal feed, and that disclosures will be required in the foreseeable future. The company understands that over 200 Japanese organizations support the TCFD framework, and they are under pressure to join that effort.

Outcome

The company is working on climate change scenario analysis and committed to providing additional disclosures about climate risk. They intend to add data on this topic to their annual report.

► Case Study 9 – *Review of cyber security policies*

North American power producer and supplier

Because cyber security is a material risk for this industry, Russell Investments reached out to the company for a review of its cyber security policies and practices. Information gathered by our Engagement Sub-committee included details about executive attention and resource staffing. Specifically, we learned that members of their security team are involved in a utilities industry group headed by the FBI and aimed at energy grid protection. Two members of the board are designated as "steeped" in cybersecurity issues. Finally, the compensation committee has worked to ensure that their compensation packages are high enough to attract the right level of talent in this area.

Outcome

We were reassured that their cyber security efforts remain appropriately resourced; this outreach helps to outline the benchmark for other companies in the industry.

[ii] Glass Lewis 2019 Season Review: United States and Canada
[iii] Glass Lewis 2019 Season Review: UK and Continental Europe
[iv] Glass Lewis 2019 Season Review: Japan

About Russell Investments

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Call Russell Investments at **866-739-7979** or

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