

# Environmental, Social and Governance Statement

Total Risk Management Pty Limited



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## Important information

Prepared by Total Risk Management Pty Limited ABN 62 008 644 353, AFSL 238790 (TRM) the trustee of the Russell Investments Master Trust ABN 89 384 753 567 and the Russell Investments Pooled Superannuation Trust ABN 66 730 340 245. TRM's investment manager is Russell Investment Management Limited ABN 53 068 338 974 AFSL 247185 (RIML).

## Background

This document sets out the Total Risk Management Pty Limited (TRM) Environmental, Social and Governance (ESG) Statement. TRM is the trustee of the Russell Investments Master Trust and the Russell Investments Pooled Superannuation Trust. TRM's investment manager is Russell Investment Management Limited (RIML). Both TRM and RIML are part of the Russell Investments group of companies in Australia and globally.

### TRM's Purpose and Vision Statement

TRM's purpose is to give members the best chance at a great life after work by improving their financial security through trusteeship of superannuation products.

TRM's vision is to provide a superior super fund that is innovative, personalised, and capable of providing bespoke solutions.

TRM invests through a suite of pooled investment vehicles (i.e., managed investment schemes, pooled superannuation trusts and unregistered schemes) managed by RIML on TRM's behalf. TRM recognises that when invested in pooled investment vehicles, the investment manager's investment process will determine how it invests.

As such TRM's investments through its engagement of RIML, mirrors the Russell Investments responsible investing approach and core beliefs. Through Russell Investments responsible investment approach (sub) investment managers are engaged who incorporate ESG factors into their investment processes. TRM recognises that the integration of ESG into the investment process does not necessarily imply the exclusion of companies from the investment universe on ethical grounds. However, the integration of ESG requires that the impact of any ESG issues on the value of a company is included in the valuation process and an understanding of the long-term sustainability of the company.

TRM recognises that some investors may wish to take a stronger stance and invest in a manner that either excludes or reduces exposures to factors and therefore, provides Low Carbon investment options to RIMT members.

TRM recognises that ESG investing is evolving and as a result, will continue to work with its investment manager to both incorporate responsible investing throughout its investment process and to also offer investment options that meet current demands.

The TRM and RIML approach to responsible investing is described in more detail below.

## Approach

TRM and Russell Investments' responsible investing approach aims to capture the right exposures without jeopardizing return.

## Russell Investments Responsible Investing Beliefs

Russell Investments has embedded responsible investment practices and ESG beliefs within its investment approach based on four core beliefs.

1. ESG factors impact security prices. These factors can vary by company, industry, and region and their importance can vary through time.
2. A deep understanding of how ESG factors impact security prices is value-adding to a skillful investment process.
3. Embedding ESG considerations into a firm's culture and processes improves the likelihood of prolonged and successful investing.

## Sustainability Risks Policy

This Policy describes how we manage our ESG risks in a sustainable manner across our global investment portfolios.

Russell Investments' policy is to integrate sustainability risks in their investment solutions by identifying, evaluating and managing relevant risks in the investment manager review process, portfolio management and through implementing proprietary solutions. RI believe **sustainability risks** are most relevant to investment outcomes when they exhibit **financial materiality**, and, like all investment risks, are incorporated by balancing **expected risk** with **expected reward**. In managing investment solutions, RI consider financially-material sustainability risks in the context of expected rewards using a blend of inputs from sources including, but not limited to, investment managers, third-party data sources and Russell Investments propriety analysis. They seek to collaborate with our advisory clients to consider, monitor and manage sustainability risk priorities in our portfolios.

As part of the continuing implementation of the Sustainability Risks Policy, Russell Investments has further developed and expanded the global Enhanced Oversight Program (see below) working with a third party ESG data provider to help evaluate ESG risks contained in our funds. Engagement activities, both direct and from our money managers are recorded in a proprietary database 'ENACT' to allow us to access how the companies we are investing in are progressing managing ESG risks from their business activities.

## Integration into Portfolio Management Processes,

### Enhanced Oversight

The Enhanced Oversight Program requires Russell Investments portfolio managers to assess ESG risks in their funds as part of their quarterly fund review process. ESG data provided by a third-party data provider is used by Russell Investments to help determine the areas of ESG risks contained in our funds.

Once per quarter, portfolio management teams review exposures to potential financially-material sustainability risks at the total portfolio level.

For each Russell Investments' managed fund enhanced oversight may result in the following actions for certain holdings, with consideration of the impact of risks at the total portfolio level:

- Reviewing of metrics and the research behind the metrics
- Discussing with the sub-advisor supporting the holding
- Discussing with the Engagement Subcommittee to consider engagement (active ownership) options

## Measuring Sustainability Risks

### Sustainalytics ESG Risk Scores & Carbon Metrics

- Russell Investments has partnered with Sustainalytics as a key ESG data provider in how to measure and monitor sustainability risks (along with other broader ESG characteristics).
- They currently report ESG and carbon-related information on all products in Russell Investments' equity universes
- Russell Investments monitor portfolio holdings using a range of measures. The aim is to identify quantitatively, securities that have a higher probability of having high and **material** sustainability risks.
- Measures considered may include but are not limited to the following:
  - Sustainalytics Risk Rating
  - Carbon Footprint
  - Russell Investments Material ESG Score
  - Sustainalytics Controversy Score

## Climate Change Policy

TRM also through its engagement of RIML as an investment manager mirrors the Russell Investments Climate Change Policy as detailed below.

Russell Investments' policy is to research, measure, report and consider climate change risk and opportunities as integral parts of our investing practice, our active ownership and our business operations. Our measures, reported metrics, and consideration of climate risk and opportunities are integrated into our subadvisor research and selection, portfolio management, advice, proxy voting and shareholder engagement and day-to-day business.

Since the signing of The Paris Agreement, asset owners, investment managers and regulators are increasingly acknowledging the importance of climate change to investment risk and return opportunities. Russell Investments has also recognised climate change as a material investment issue. Russell Investments has built its responsible investing policy and practice from our beliefs. These responsible investing beliefs are naturally inclusive of climate change risk and opportunities and we demonstrate formally their linkage below:

RESPONSIBLE INVESTING BELIEF	LINK TO CLIMATE CHANGE
ESG factors impact security prices. These factors can vary by company, industry and region, and their importance can vary through time.	Climate change is an important environmental issue. Indeed, its effect on sectors, industries and regions will vary, and increases in intensity over time.
A deep understanding of how ESG factors impact security prices is value-adding to a skillful investment process.	The reach, timing, risk and opportunities associated with climate change are complex.
Embedding ESG considerations into a firm's culture and processes improves the likelihood of prolonged and successful investing.	Meeting the challenge of climate change is an imperative for any business's sustainability, investment managers will have a critical role to play, as exemplified by the Taskforce for the Climate-related Financial Disclosure (TCFD).
Active ownership of securities is an effective tool for improving investment outcomes.	By focusing on climate change, and through our partnership with Climate Action 100+, we impact and improve both investment outcomes and corporate decisions.

For the Russell Investments Climate change policy please refer to:

<https://russellinvestments.com/-/media/files/au/about-us/russell-investments-climate-action-policy.pdf>

## Net Zero Asset Managers Initiative

Russell Investments has joined the Net Zero Asset Managers initiative, which is a group of international asset managers committed to supporting the goal of Net Zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with Net Zero emissions by 2050 or sooner.

As a signatory, Russell Investments commits to support the goal of Net Zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°Celsius. It also commits to support investing aligned with Net Zero emissions by 2050 or sooner. We have set the following interim targets:

**Baseline year:** 2019

**Target year:** 2025, 2030

**Target(s):** 25% of AUM in material sectors to be net zero, aligned to net zero or aligning to net zero by 2025.

Reduce Weighted Average Carbon Intensity (WACI) by 50% by 2030.

Target financed emissions in material sectors are net zero, aligned to net zero, aligning to net zero or subject to engagement as follows: 70% by 2025 and 90% by 2030.

**Baseline year performance for the target metric(s):** 15% of AUM in material sectors is considered net zero, aligned to net zero or aligning to net zero WACI: 234tCO<sub>2</sub>e/USD mn revenue.

4% of financed emissions in material sectors are net zero or aligned and 65% of financed emissions in material sectors are either aligned or subject to direct or collective engagement and stewardship actions.

**Greenhouse Gas Protocol (GHG) scopes included:** Our target covers Scope 1 and 2 emissions with Scope 3 to be phased in as data quality and availability improves.

**Methodology:** Paris Aligned Investment Initiative Net Zero Investment Framework **Scenario(s):** Russell Investments referenced the IPCC SR1.5 global emissions pathway scenarios that limit global warming to 1.5°C by 2050 with no or limited overshoot, to establish the target '50% reduction in emission intensity by 2030'.

**Policy on coal and other fossil fuel investments:** Our climate action plan includes a phase out of thermal coal by 2030 for net zero aligned investments. Russell Investments' Global Exclusions Committee will continue to assess our policy on coal and other fossil fuels over time, incorporating the latest climate science, considerations for a just transition, while acknowledging a practical need for energy security.

### Active Ownership

Russell Investments has a Proxy Committee and Proxy Voting Guideline Sub-committee who meet regularly to help ensure that its Proxy Voting Guidelines are aligned with current best practices regarding voting on ESG issues.

Further information on proxy voting is available here: <https://russellinvestments.com/au/disclosures>

### Exclusions and Divestment

TRM only applies specific exclusions and divestments as outlined in disclosure documents.

The current<sup>1</sup> exclusions that may apply to equities include the exclusion of investing in companies that:

- produce components that are key and dedicated to the production of anti-personnel mines and/or cluster munitions;
- manufacture tobacco products; or
- are involved, either directly or indirectly, in the production of the core nuclear weapon system, or components/services of the core nuclear weapon system, that are considered tailor-made and essential for the lethal use of the weapon.

The Russell Investments Master Trust also offers two socially responsible investment options:

- Low Carbon Australian Shares Option
- Low Carbon Global Shares Option

For the Russell Investments Master Trust current disclosure documentation please refer to:

<https://russellinvestments.com/au/disclosures/trustee-required-disclosure>

### Modern Slavery

Russell Investments Australia understands that the assets managed for Russell Investments funds and clients in Australia and globally represent an opportunity and obligation to help drive positive outcomes in the areas of sustainability and social change.

We are committed to using the influence afforded by the investment choices we make to reduce the risk of Modern Slavery within our global investment portfolios.

Russell Investments Australia has a range of global and Australian supplier relationships. In assessing the risk of Modern Slavery, we have divided our supply chain into two groups:

1. Businesses that support the day to day running of our Australian operations, including custodian and administrators for the Russell Investments Master Trust and Russell Investments Australia Funds business (**Operations Supply Chain**); and
2. Businesses that support our investment solutions business including assets directly managed by Russell Investments and our money managers (**Investment Supply Chain**).

For the Russell Investments Modern Slavery statement please refer to: <https://russellinvestments.com/-/media/files/au/about-us/responsible-investing/modern-slavery-statement.pdf>

### Reporting

TRM receives reporting from RIML on its ESG activities including:

- Proxy voting and active ownership;
- Annual ESG workshops; and
- Regular ESG exposure reporting on underlying