Responsible Ownership: 2017

Proxy and Engagement Report

March 2018

Introduction

Russell Investments believes that being an active owner is an important component of its investment responsibilities. Through active ownership, we can better understand both the risk factors and potential return associated with ownership of a company. 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.

As a part of our commitment to responsible investing, we have been voting at shareholder meetings for over 20 years, evolving our voting policies and practices alongside various developments in regulations and principles. We became a signatory to the United Nations Principles of Responsible Investment (UNPRI) in 2009 and have followed the UK Stewardship Code since its introduction in 2010.

As UNPRI signatories, we place specific importance on integrating Environmental, Social, and Governance (ESG) issues into both our overarching investment process, and specifically in our active ownership approach towards protecting shareholder value and rights. We place high importance on corporate governance best practices, and the appropriate measures of risk mitigation, and seek to gather additional information regarding these topics from both investee companies and the sub-advisors we hire within our funds. As a responsible investor, we believe that it is our responsibility to monitor the effectiveness of company management, exerting influence through the exercise of proxy voting and engagement activities.

This report captures our progress in developing and implementing our active ownership activities, demonstrating our commitment to the UNPRI and the UK Stewardship Code.

We welcome feedback on this publication. If you have additional questions, please contact your Russell Investments representative or write directly to: proxymailbox@russellinvestments.com

Contents

UPDATES

PRI

Russell Investments has completed the Principles of Responsible Investment (PRI) survey every year since becoming a signatory in 2012. In this survey, we are asked to provide information regarding our firm's strategy and governance practices for implementing the six Principles of Responsible Investment. The Principles are a set of global best practices that aim to provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. We remain actively involved with the UN supported PRI, attending the PRI conferences, as well as global seminars and discussions on topics of mutual interest. We are committed to incorporating each of these Principles into our processes, and strive to better our assessments each year. In 2017, our PRI assessment reflected these efforts as we received top scores in all reported areas – see summary scorecard below.

TABLE 1. Strategy and Governance

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

TABLE 2. Listed Equity - Active Ownership

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

TABLE 3. Summary Scorecard

AUM	Module Name	Your Score	Your Score / Median Score
	01. Strategy & Governance	A+	A
Indirect – manager Sel., App. & Mon			
10-50%	02. Listed Equity	A+	B
<10%	03. Fixed Income - SSA	A+	C
< 10%	04. Fixed Income – Corporate Financial	A+	C
< 10%	05. Fixed Income – Corporate Non-Financial	A+	C
< 10%	06. Fixed Income – Securitised	A+	E
< 10%	07. Private Equity	Not reported	
< 10%	08. Property	Not reported	
Direct & Active Ownership Modules			
10-50%	10. Listed Equity – Incorporation	A+	A
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 – Securitised	Not reported	

If you would like additional information regarding our PRI disclosures, please refer to the full Transparency and Assessment report published on the PRI website as well as the Russell Investments' website.

UK STEWARDSHIP CODE

As part of our commitment to ensuring that we follow stewardship best practices, Russell Investments is a signatory to the UK Stewardship Code. 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 unique 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 categorised 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, exemplify the level of importance we place on governance best practices and appropriate disclosure.

If you would like to receive a copy of Russell Investments' completed framework, please visit the Russell Investments website or contact your Russell Investments representative.

JAPAN STEWARDSHIP CODE

Modeled 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 UNPRI'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 sustainable growth of companies through investment and dialogue.

Beginning in early 2017, the FSA decided to reform some principles within the Code. One of the most significant changes made was to encourage increased transparency – seeking to bring investors greater insights into the potential weaknesses in corporate governance practices. The revision also encourages engagement to improve and foster corporate value and sustainable growth. We expect these changes will lead to increased willingness on the part of Japanese corporations to engage with investors.

OUR APPROACH

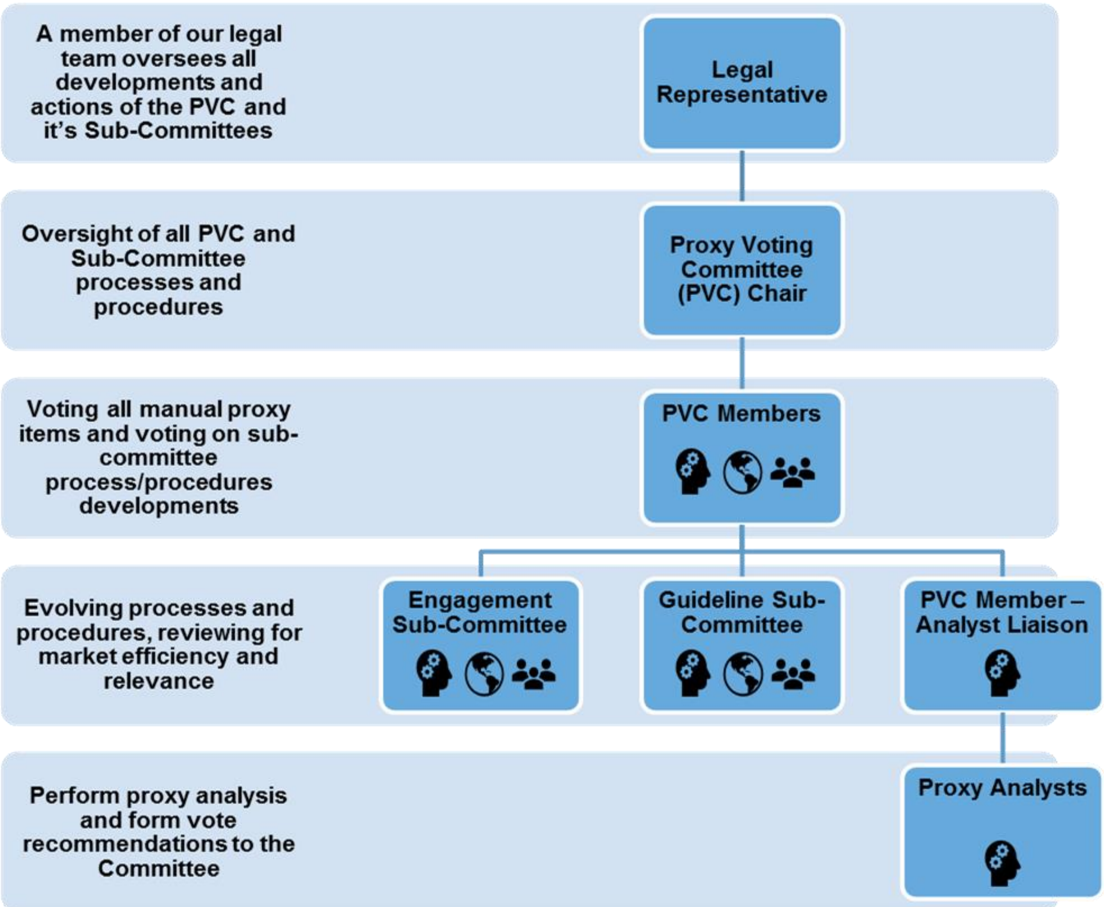
PROXY VOTING

Russell Investments believes that exercising voting rights is an essential part of the value creation process. We also believe that it is our responsibility to monitor the effectiveness of company management, ensuring strong

Russell investments recognises the importance of environmental, social and corporate governance issues; they not only affect our clients' investments and financial security. They affect our business and communities in which we live and work.

corporate governance and protecting shareholder value and shareholder rights.

Over the last 30 years, we have built robust proxy voting policies, processes and guidelines (all of which can be found on our website). The Russell Investments' Proxy Voting Committee (PVC) establishes and oversees our proxy voting policies, procedures, guidelines, and voting decisions. Since we believe that it is important that our processes are developed as an integrated part of the value creation process, the PVC has established a Guideline Sub-committee which meets regularly to ensure that our guidelines are aligned with current best practices. Additionally, a Russell Investments legal representative is highly involved in all proxy voting developments and activities.

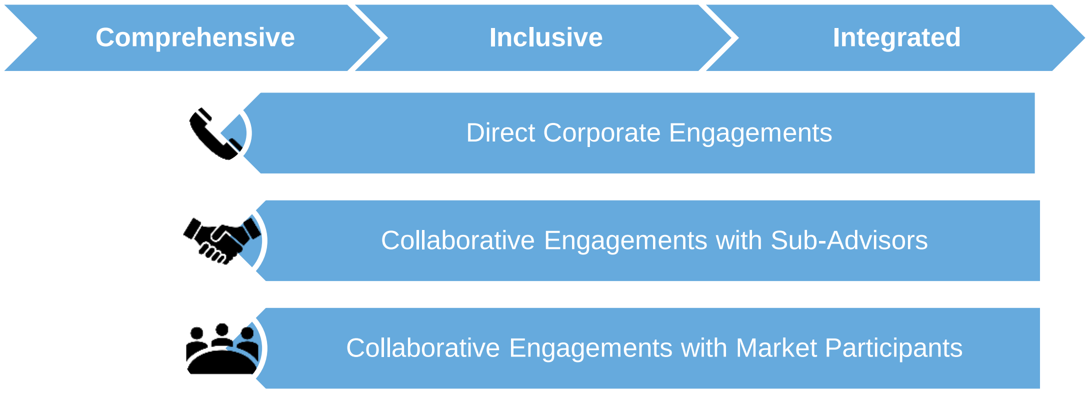


An external service provider, Glass Lewis, serves as Russell Investments' proxy administrator. They provide research and proxy voting execution services, subject to ongoing supervision by our internal proxy coordinator and oversight by the PVC. Glass Lewis conducts research regarding each proposal presented for a vote, then evaluates each matter using our guidelines and taking action consistent with these guidelines. When ballots present unique issues or topics not specifically set out in the guidelines, the proposal(s)are referred to the PVC for a vote.

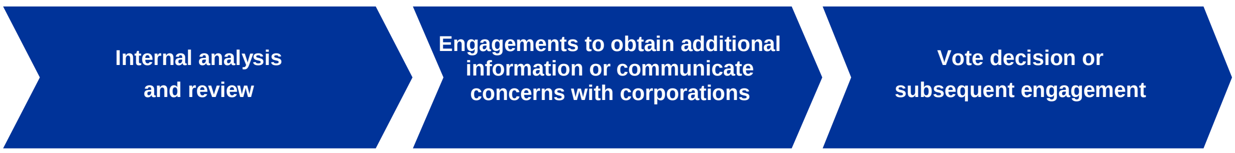
ENGAGEMENT

We believe that an integrated approach to active ownership is the best way to achieve desired investment outcomes and that it is an important part of our investment responsibilities. 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 the first step to affecting positive change, since it allows us to address outstanding issues with companies.

Due to our multi-faceted approach to investment management, we leverage our relationships to employ multiple levels of corporate engagement. These can be categorised into three distinct groups: collaborative engagement with and through sub-advisors; proxy service provider and market participant engagements; and individual corporate engagements.



We place high importance on corporate governance best practices and the appropriate measures of risk mitigation, seeking to gather additional information regarding these topics from both investee companies and the sub-advisors we hire within our funds. In our engagements, we aim to have a consistent approach, with a clear direction for each discussion. This integrated process allows us to have a more comprehensive understanding of the impacts of the proposals upon which our PVC is asked to vote. When deciding to engage with a company, we make a concerted effort to focus on the issues that we believe will have the most impact on shareholder value.



Although we consider all additional analysis and materials obtained from our engagements, we vote independently – maintaining the Russell Investments guidelines as the overarching authority and retaining final authority and fiduciary responsibility for proxy voting at all times.

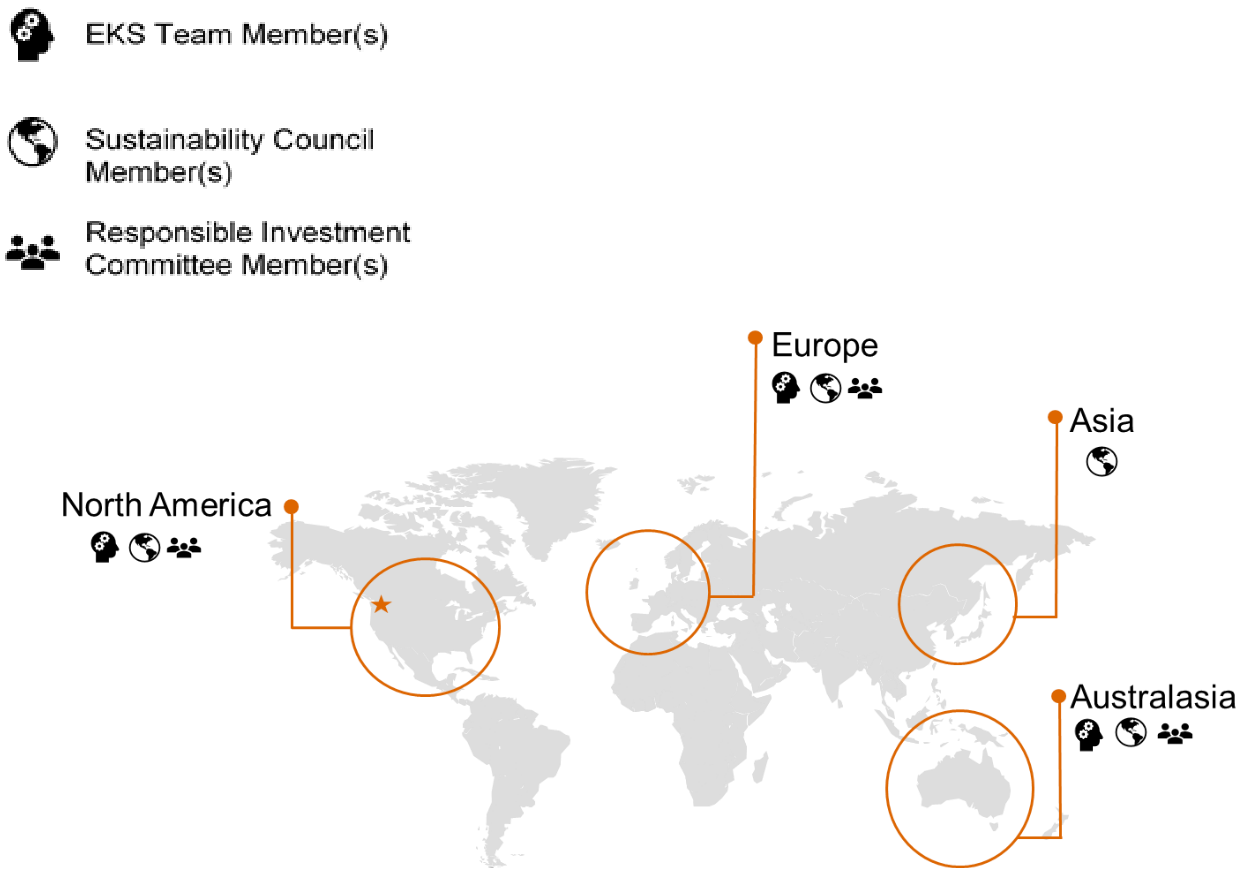
ESG DEDICATED GROUPS

Russell Investments recognises the importance of Responsible Investment (RI) and ESG issues. These factors impact security prices (and can vary by company, industry and region), making a full integration of our ESG-dedicated resources most impactful for our company. Each ESG resource is represented by a variety of asset classes and regions, allowing us to evolve with market and client requirements.

Responsible Investment Committee – Enhance Russell Investments' ability to meet investment and market demands for responsible investment

Sustainability Council – Consider sustainable business practices, enhancing products and services and promoting thought leadership.

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.



PROXY VOTING STATISTICS

2017 PROXY ANNUAL REVIEW AND STATISTICS

94,822 Proposals Voted

9,710 Meetings Voted

4% Votes Against Proxy Provider

13% Votes Against Management

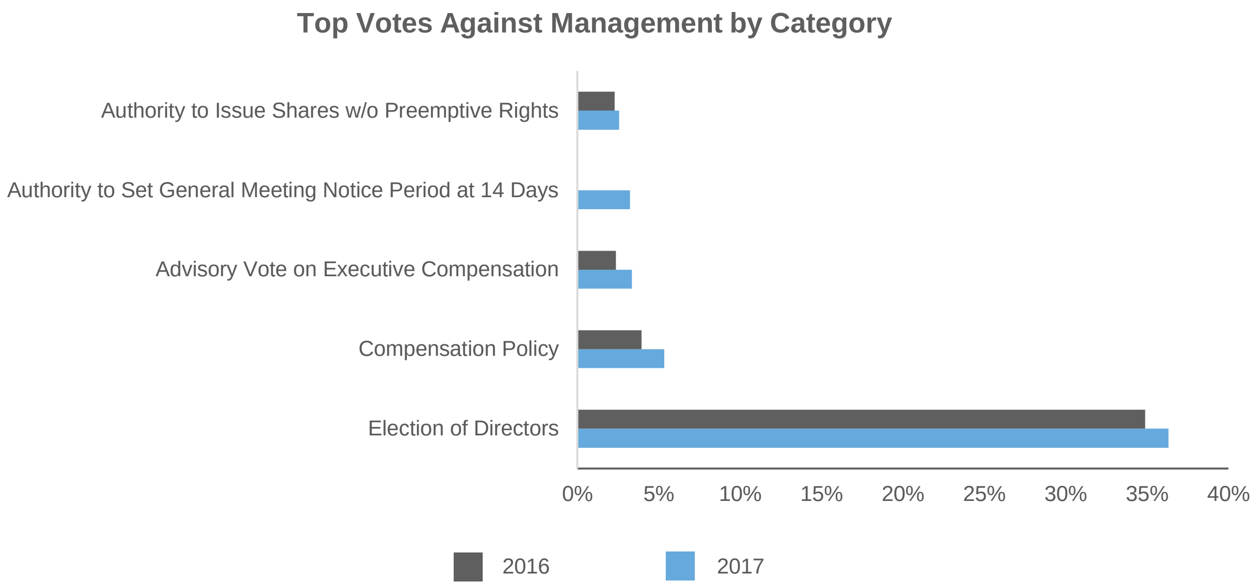
We take a thoughtful approach to our voting decisions, including all analysis and information up to the meeting date. Our inclusive and integrated voting and engagement process resulted in many votes against management and against our provider throughout the year.

TABLE 4. 2017 Engagement meetings and proxy voting summary

	Meetings	Agenda Items	Proposals with Votes Against Management	Proposals with Votes Against Provider	Shareholder Proposals
Q1	1,217	10,049	1,503	705	190
Q2	6,148	67,728	8,803	2,142	939
Q3	1,076	8,751	1,203	312	87
Q4	1,269	8,294	1,034	318	83
Total 2017	9,710	94,822	12,543	3,477	1,299

TOP VOTES AGAINST MANAGEMENT

CHART 1.Top Votes against management by category



ELECTION OF DIRECTORS

In 2016, we voted against management on 35% of proposals regarding election of directors; that number saw a slight increase in 2017 at 36% against management on such proposals. In both 2016 and 2017, we voted against management for election of director proposals due to independence concerns, over boarding, and low board meeting attendance. Additionally, in 2017, lack of disclosure accounted for 13% of our votes against management.

Oversight methods and proper governance practices are increasingly scrutinised; in order to effectively manage and oversee company activities. The time commitment expected of board members is also on the rise[1]; our Guideline Sub-Committee revised our guidelines accordingly.

TABLE 4. 2017 Guidelines Development

Previous Guidelines	Revised Guidelines
Withhold votes from directors who serve on the boards of more than six publicly traded companies	Withhold votes from directors who serve on the boards of more than five publicly traded companies
If the candidate is also the CEO of a publicly traded company, that number reduced to three	If the candidate is also the CEO of a publicly traded company, that number is reduced to two

COMPENSATION POLICY

Compensation continues to be a topic of debate and concern for investors. Compensation proposals accounted for over 5% of the votes against management as a result of pay-for-performance disconnect or poor compensation practices. To protect shareholder best interests, we believe shareholders must have rights to vote on compensation measures, placing stringent voting policies in place to uphold this view. In Japan, nearly 9% of our votes against management were regarding proposals allowing companies discretionary authority to grant options to themselves.

[1] Glass Lewis 2016 Season Review: United States and Canada

TOP VOTES AGAINST PROVIDER (GLASS LEWIS)

AUTHORITY TO SET ANNUAL GENERAL MEETING (AGM) NOTICE AT 14 DAYS

The majority of our votes against Glass Lewis were regarding proposals to set meeting notices at 14 days. Our guidelines currently have a clause which states we vote against management proposals to shorten the notice period prior to an AGM or a special/shareholder meeting.

CASE STUDY – 1

Issue 1

A Japanese software company put forth an equity compensation plan that would allow option grantors to have discretionary authority to grant options to themselves

Action 1

Proxy Vote: Voted against the equity compensation plan to protect shareholder rights for say–on–pay

Issue 2

There is a possible conflict of interest of an audit committee member who also serves as VP of the parent company.

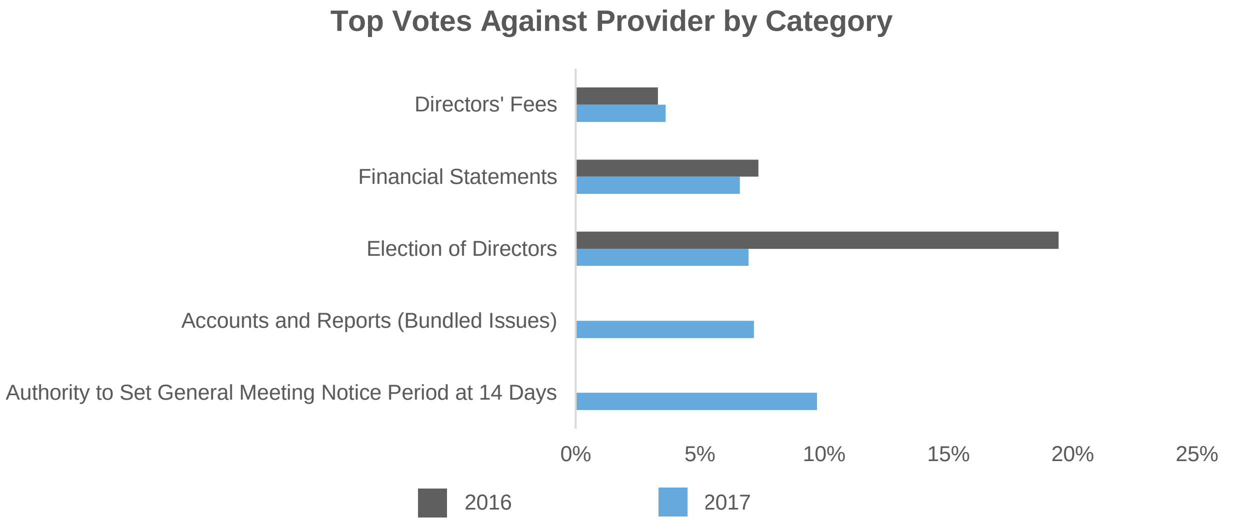
Action 2

Proxy Vote: Voted against the director for potential conflicts of interest and insufficient independence

INSUFFICIENT INFORMATION

Russell Investments believes in appropriate disclosure and transparency to make the most informed vote decisions. While Glass Lewis abstains from votes in which there is a lack of information, we vote against, indicating our disapproval of information not made available to shareholders.

CHART 2. Top votes against provider by category

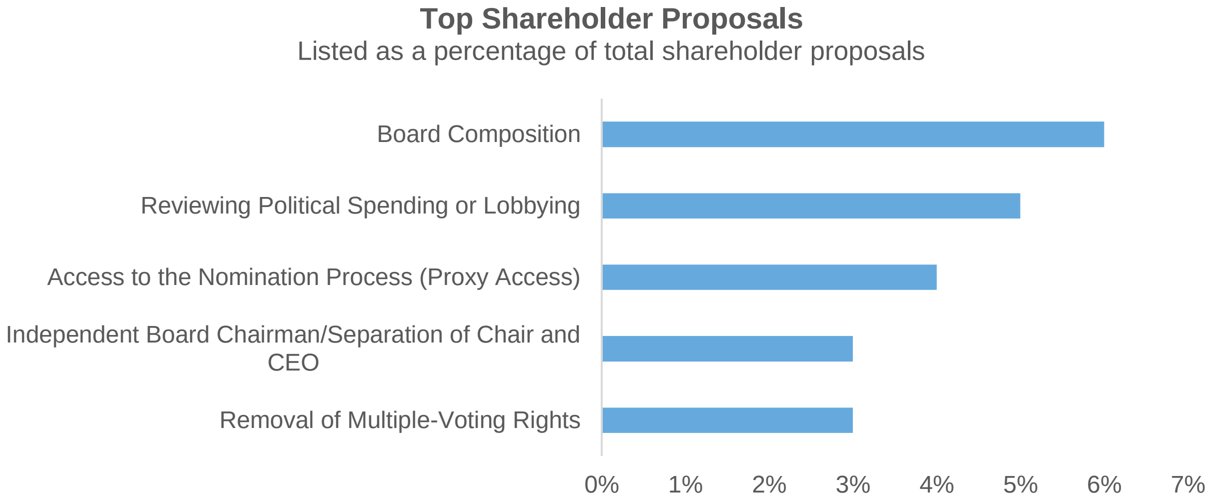


SHAREHOLDER PROPOSALS

GLOBAL SHAREHOLDER PROPOSALS

The top shareholder proposals in 2017 were similar to those in 2016, with continuing trends in the US and Canada for separation of CEO/Chair roles, proxy access and political spending/lobbying. In Europe, shareholders were concerned with board composition and removal of multiple voting rights, representing 61% and 100% of those respective categories.

CHART 3. Top shareholder proposals



INDEPENDENT BOARD CHAIRMAN AND CEO

Every year, our proxy team engages with directors from multiple companies regarding the issue of combined CEO and Chairman roles. We believe a separation of these roles increases the ability for the board to remain efficient, maintaining independent oversight over the company and its management.

CASE STUDY – 2

Issue

An Irish pharmaceutical company received a shareholder proposal regarding independent board chairman in 2016, receiving over 43% support.

Action 1

Engagement: Prior to 2017, we held a discussion with the company strongly suggesting the company review and give deep thought to separating these roles. Our engagement team monitored the company throughout 2017, noting significant progress by the company, enhancing their Lead Independent Director responsibilities.

Action 2

Proxy Vote: In favour of the shareholder proposal requesting an independent Chairman on both the 2016 and 2017 ballots.

Result

Continuing to monitor for progress and potential follow-up engagements.

PROXY ACCESS

Since 2015, we have seen a decreasing number of shareholder proposals regarding proxy access, which continued in both 2016 and 2017. In 2016, proxy access represented approximately 7% of the total shareholder proposals, while this year they only represented 4%. We voted against proposals that were outside the industry standard – 3% ownership held for at least three consecutive years. While many companies are voluntarily adopting proxy access bylaws, support for amendments of such bylaws saw little support. According to Glass Lewis[2], approximately 43% of the proxy access proposals were amendments to bylaws and only saw 28% of shareholder support. None of the amendment proposals received majority support.

CASE STUDY – 3

Issue

Instituting policies that allow shareholders the vote to remove directors for inadequate performance or attendance and allow shareholders to nominate directors is encouraged by our Engagement Sub-Committee during corporate engagement discussions.

Action

Engagement: In early 2017, our Engagement Sub-Committee held an off-season discussion with a US utility company regarding their upcoming business strategies and opportunities – an opportunity we took to discuss the incorporation of proxy access into company bylaws.

Result

The company was receptive to our views and stated their intention to adopt the industry standard bylaws. Our engagement team monitored for progress, finding the company followed through with its commitment and adopted the bylaws in 2017.

REMOVAL OF MULTIPLE VOTING RIGHTS

Shareholder proposals regarding the removal of multiple voting rights decreased approximately 63% from 2016. In an effort to protect shareholder rights, we voted for 97% of the proposals to remove unequal voting rights; the remaining 3% were not voted due to excessive voting requirements. In addition to this support, our Proxy Voting Guidelines state firmly that we vote against any resolutions requesting unequal voting measures.

POLITICAL SPENDING/LOBBYING

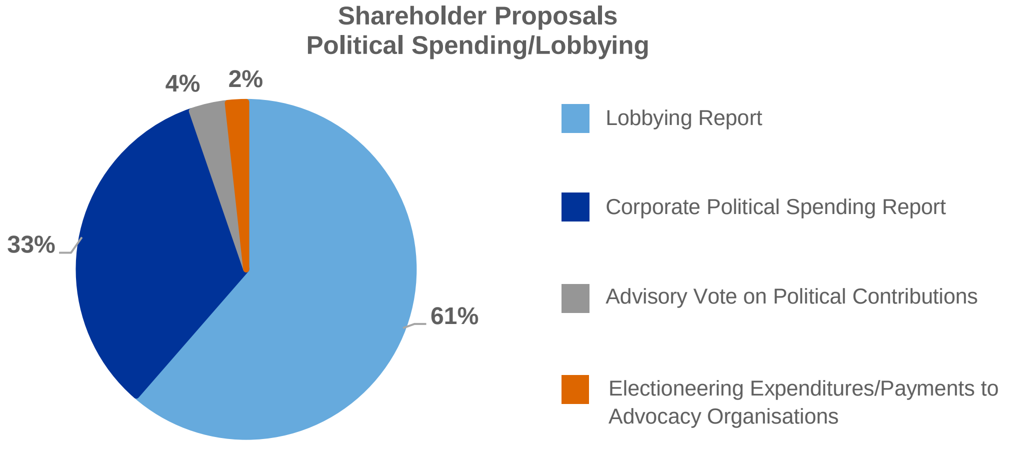
In the US and Canada, political spending and lobbying continue to be important issues for shareholders. In 2017, this topic area represented approximately 5% of shareholder proposals. According to our proxy provider, Glass Lewis, proposals regarding reports on lobbying expenditures and activities have seen an increase of nearly 18% since 2014[3]. Glass Lewis research[4] states that these proposals received low shareholder support overall (approximately 26% for lobbying proposals and 27% for political contribution proposals).

[2] Glass Lewis 2016 Season Review: United States and Canada

[3] Glass Lewis 2016 Season Review: Europe

[4] Glass Lewis 2016 Proxy Season Review: Japan

CHART 4. Political spending shareholder proposals



BOARD COMPOSITION

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.

We believe that shareholder interests are best served when a company focuses on diversity and inclusion, both in terms of board membership and within the corporation

We recognise that a diverse team leads to greater successes than a non-diverse team, with benefits including better task performance and greater organisational stability. At Russell Investments, we believe companies should provide for equal opportunity in the assignment of board positions and its selection of board nominees.

CASE STUDY – 4

Issue

A US Real Estate Company had a shareholder proposal regarding Board Diversity placed on their 2017 AGM ballot. The board's opposition was based on the proposal impeding their ability to select the most suitable and qualified candidates.

Action

Proxy Vote: This proposal went to our PVC for a manual review process. Since board diversity issues have become a point of potential reputational risk, increased disclosure from the board regarding the evaluation criteria it uses for board candidates (and how they plan to mitigate this risk) is beneficial to investor evaluations.

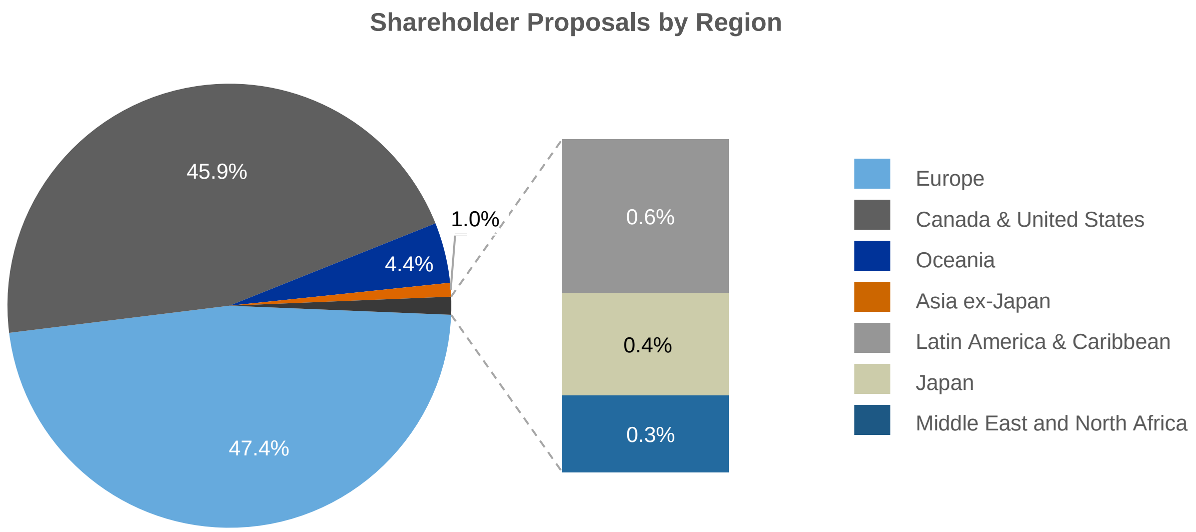
Result

Following the proxy season, our engagement team monitored the company for updates and progress. In August, the board added a female, in demonstration of proper responsiveness to shareholder concerns.

REGIONAL TRENDS

Most shareholder proposals occurred in the US and Europe, with shareholder activity outside of these regions remaining low year-on-year. Overall, the largest increases were in the Europe and Oceania regions.

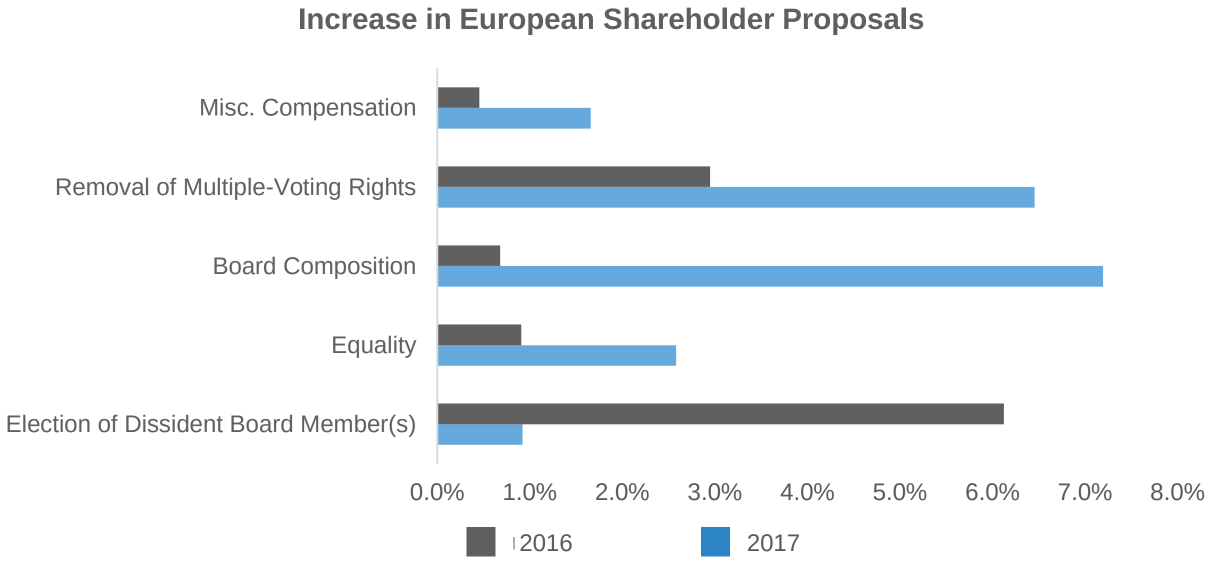
CHART 5. Shareholder proposals by region



EUROPEAN SHAREHOLDER PROPOSALS

Europe experienced a significant jump in the amount of shareholder proposals put forth during the 2017 proxy season. Shareholder proposals in Europe represented over 47% of all shareholder proposals, a 10% increase from 2016. Many European companies have experienced increases in board composition and equality proposals due to the recent quotas imposed for gender representation.

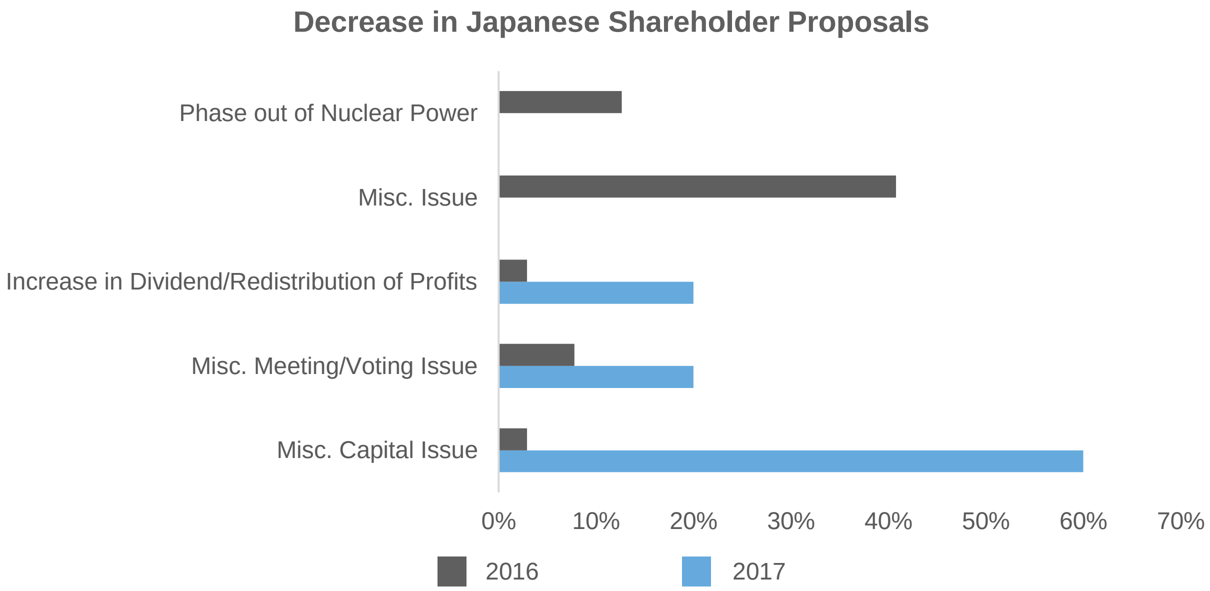
CHART 6. European shareholder proposals



JAPAN SHAREHOLDER PROPOSALS

In stark contrast to Europe, Japan experienced a significant decrease in shareholder proposals; the region represented 8.6% in 2016 to under 1% in 2017. With significant changes to the Japanese Stewardship Code, setting increased expectations of corporate governance, we expect to see much more shareholder involvement in the coming years.

CHART 7. Japanese shareholder proposals



ENGAGEMENTS

ENGAGEMENT STATISTICS

Throughout 2017, our Engagement Sub-Committee applied our areas of focus to determine engagement discussions (see below for additional detail). Our team worked to reflect the most frequent topics according to our proxy proposals, while still focusing on wider areas of interest to our shareholders.

CHART 8. 2017 Engagement by ESG topic

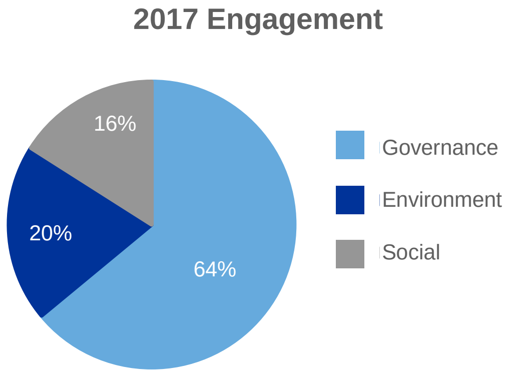
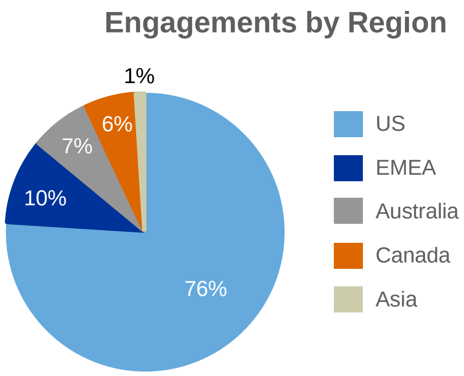


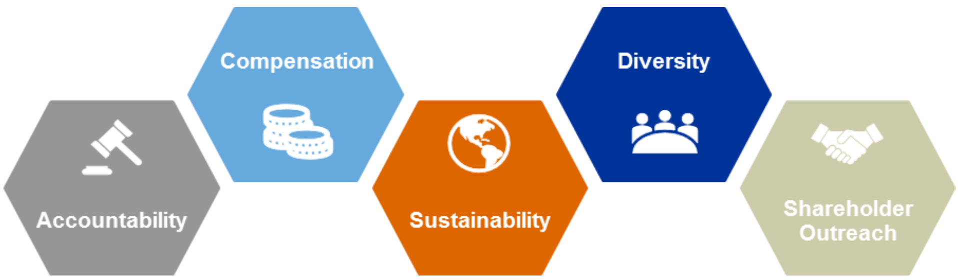
CHART 9. 2017 Engagements by Region



EMEA refers to Europe, the Middle East and Africa

ENGAGEMENT FOCUS AREAS

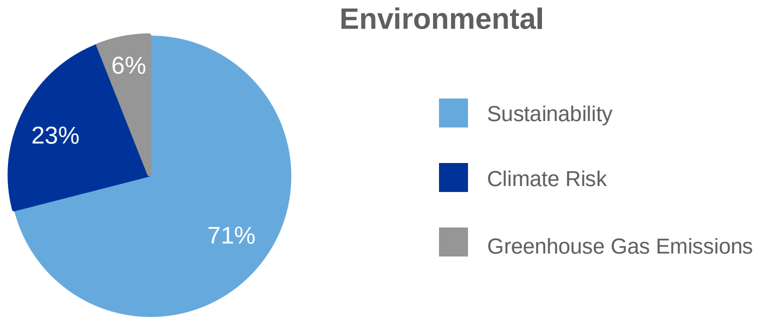
To facilitate more meaningful engagements on areas with significant impact to shareholder value, we have identified topic areas of interest in which to concentrate our engagement efforts. These areas are utilised across our engagement discussions, providing a consistent and directed approach. These focus areas will be reviewed and adapted over time to account for changes in market interests. More information on this approach can be found on our website.



SUSTAINABILITY REPORTING

Scrutiny regarding improper oversight of various issues (corruption, compensation, human rights, climate change and diversity, to name a few) have caused the demand for corporate engagement to increase. 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.

CHART 10. 2017 Environmental engagement topics

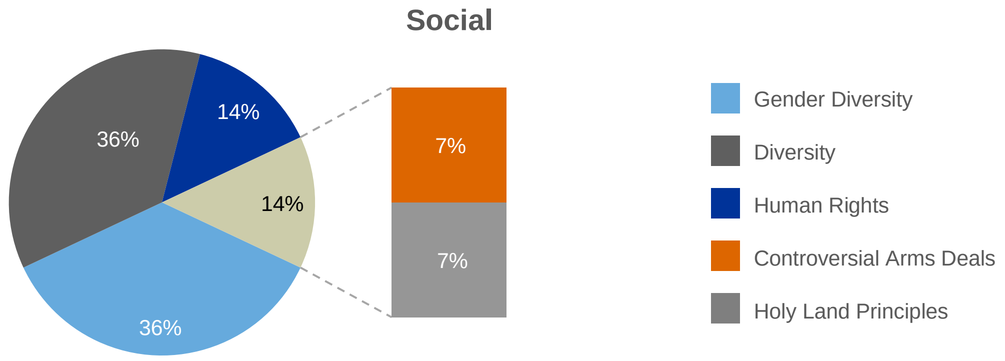


DIVERSITY

We believe that shareholder interests are best served when a company focuses on diversity and inclusion, both in terms of board membership and in corporate practices. In 2017, a specific element considered in the selection of our engagements was boards with no female representation. We also took this opportunity to discuss gender pay equity and reporting where necessary.

We recognise that a diverse team leads to greater successes than a non-diverse team, with benefits including better task performance and greater organisational stability. With that in mind, we focus our engagement efforts in this area on increased awareness of the impact of diversity on firms' investment performance and culture.

CHART 11. 2017 Engagement on social topics



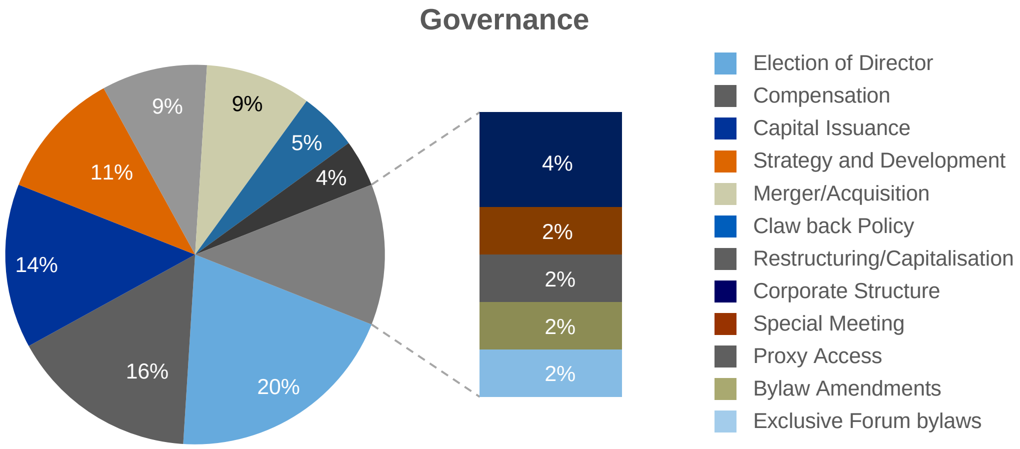
INDEPENDENCE/ACCOUNTABILITY

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. As accountability and time to effectively discharge board level responsibilities has increased, we closely monitor these issues for potential engagements.

COMPENSATION

Aligning executive compensation with corporate performance is in shareholders' best interests and a frequent topic of engagement. Specifically, we seek to engage with companies that have a pay and performance disconnect, as identified using Glass Lewis' pay-for-performance proprietary metrics.

CHART 12. 2017 Engagement on Governance topics



CASE STUDY – 5

Issue

An American household goods company had materially lower share returns across returns across mid- and long-term timeframes and the short-term returns required additional context and scrutiny. Shareholder proponents put forth a nominee director, whose experience should enhance the company's portfolio and improve the company's strategy.

Action

Engagement 1: Russell Investments held an engagement meeting with company management regarding the dissident nominee and oppositions they had. The board and management appear to be transparent and willing to engage with shareholders, taking careful consideration of the skills and needs of the board. Our Engagement Sub-Committee commended the board on its efforts toward increasing board diversity.

Action

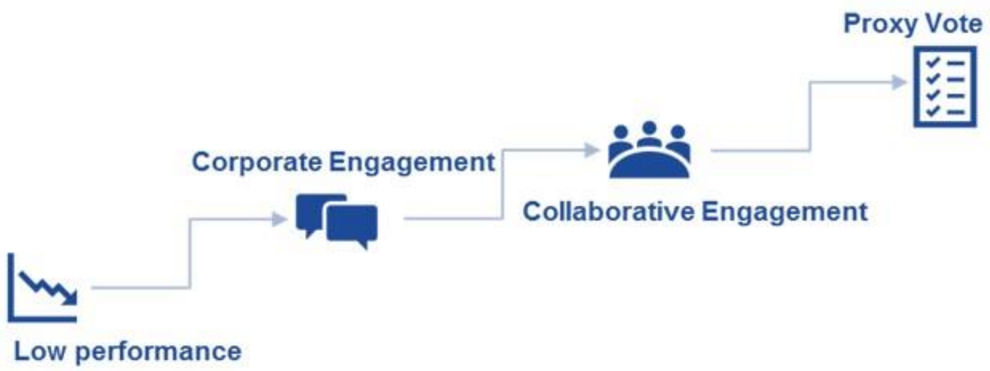
Engagement 2: Although the company's board and management provided a compelling case, our engagement team found it necessary to collaborate with the sub-advisors hired to manage our portfolios for additional analysis. From these engagements, a general consensus was attained that the dissident nominee's successful track record with other prominent brands, and the need to hold current directors accountable, provided validation for the support of the shareholder nominee.

Action

Proxy Vote: While the board has demonstrated a noteworthy level of diversity and board level organisation, our opinion remained in support of the dissident nominee. It was determined that management was becoming complacent and needed a fresh perspective brought to the boardroom. Our PVC determined the shareholder candidate was well-established, backed by well-framed arguments and initiatives that should provide a more candid evaluation of risks and opportunities.

Result

After a tumultuous response to the dissident election, the company and dissidents came to amicable terms; the company appointing the activist investor to its board of directors.



CASE STUDY – 6

Issue

A US financial company continues to maintain poor compensation practices and has not responded to shareholder concerns of combined CEO and Chairman roles without the implementation of a Lead Chair role.

Action 1

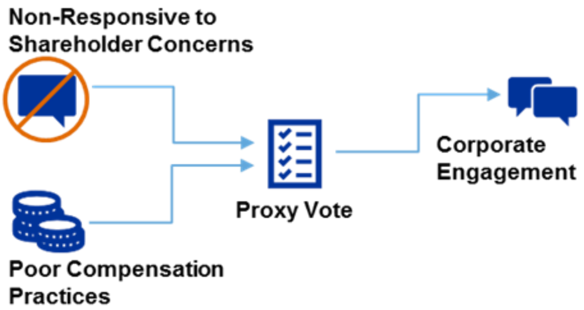
Proxy Vote: Withheld votes from directors who serve as chairs of the corporate governance and compensation committees due to poor compensation practices and responsiveness to shareholder concerns.

Action 2

Engagement: There were a high percentage of withheld votes from the company's directors in 2016. We expressed our dissatisfaction with the board's lack of response to this issue as well as the company's poor compensation practices.

Result

Continuing to monitor progress and the potential need for further engagement.



CASE STUDY – 7

Issue

A North American bank was exposed to a fraudulent account scandal; millions of unauthorised accounts were opened, which led to $2.6 million in fees for the bank's clients.

Action

The Russell Investments Proxy Voting Guidelines continue to hold the following positions:

- Support of companies implementing clawback provisions
- Support of the separation of CEO and Chairman positions.

Results

- Illegal practices resulted in $185 million in fines to Los Angeles and federal regulators.
- Separation of CEO and Chair roles, also requiring independent directors appointed to board Chair and Vice Chair.
- Clawback of $75 million from two former executives who were considered responsible for the fraudulent activities.

CASE STUDY – 8

Issue

- In 2016 and 2017, proponents sought for increased reporting from a US energy company in order to assess the company's long-term resilience and how it expects to perform under a range of carbon scenarios.
- Despite approximately 49% of the votes in support (Russell Investments included) of the proposal in 2016, the company had not made any meaningful enhancements.

Action 1

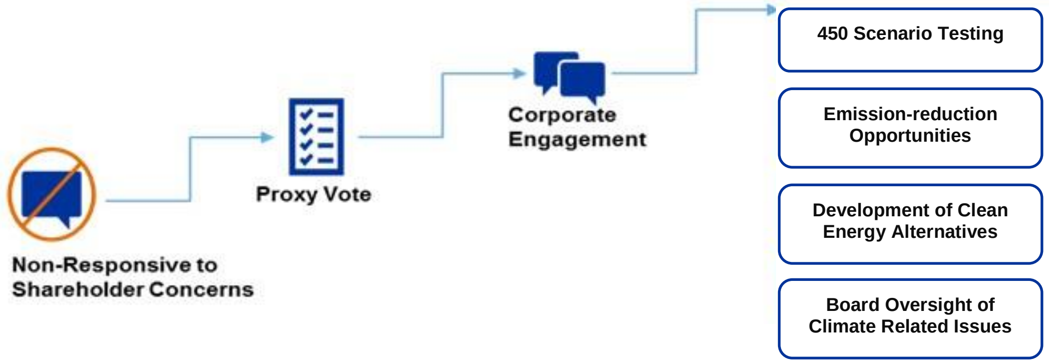
Proxy Vote: Climate Risk Reporting proposal manually reviewed by our PVC. It was determined that the shareholder proposal was well drafted, seeking reporting and metrics that would explain business strategies that incorporate analyses of the short- and long-term financial risk of a lower-carbon economy.

Action 2

Engagement: Engagement with the company regarding developments in response to the Climate Change Policy Risk vote results.

Result

The company has made significant enhancements on the strategies they are employing to mitigate climate risk, demonstrating the board's responsiveness to shareholder concerns and willingness to remain open to dialogue with investors.



CASE STUDY – 9

Issue

Shareholders put forth a gender pay equity report proposal on a US bank's 2017 AGM ballot. The proposals would require the bank to disclose percentage pay gaps between male and female employees as well as the policies and methods to address any gap.

Action 1

Proxy Vote: Our PVC determined the framing of the proposal did not warrant a supporting vote. The request for a single number disclosure on the wage gap, without taking into consideration additional factors, would not help assess drivers of any potential gaps.

Action 2

Engagement: Although there is evidence that the company is taking appropriate action in addressing this area and does not lag behind peers in disclosure, our Engagement Sub-Committee felt this topic should be addressed with company management directly. Our concern in this area extends beyond what is being addressed by the proponent and we are conducting additional analysis to ensure we have the correct information to make our assessments.

Result

The company assured our team that additional disclosures, with appropriate reflection of gender pay reporting, would be provided. It would be beneficial to allow the company time to make these changes. If, however, management does not provide the additional disclosure that they have promised, this issue would need to be readdressed.

CASE STUDY – 10

Issue

A Japanese conglomerate committed fraudulent accounting practices, providing materially false and misleading information to investors.

Action 1

Proxy Vote: At the company's AGM, we voted against the entire slate of directors in opposition to governance and auditing issues.

Action 2

Proxy Vote: At the company's special meeting we voted against 9 of the 10 directors due to poor governance practices.

CASE STUDY – 11

Issue

A Canadian energy company sought to acquire interest in the Dakota Access Pipeline, a highly contentious project with many legal challenges. Shareholders requested an indigenous peoples' rights risk report. When human rights and environmental risks are not adequately considered, acquisition and investment decisions can lead to reputational damage, regulatory intervention and/or financial loss.

Action 1

Engagement 1: Held engagements with three various sub-advisors regarding the contentious issues, receiving additional analysis.

Action 2

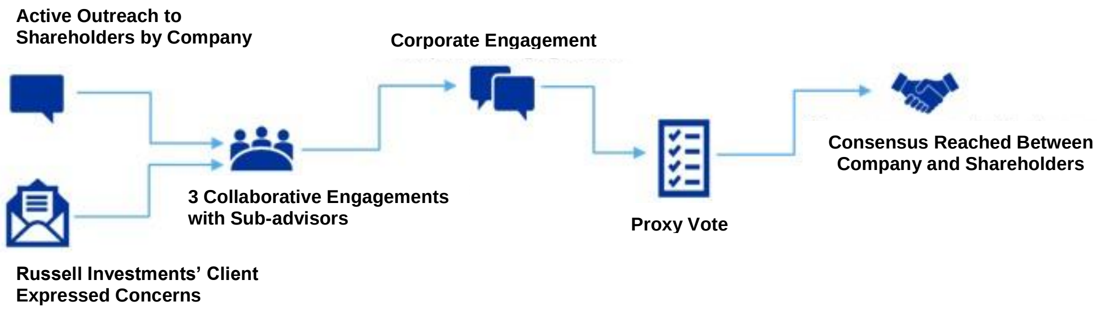
Engagement 2: Significant engagement efforts were made by the company to address the proponents' concerns – the company expressed that maintaining positive relations with the shareholder group was pertinent to their growth. Our engagement sub-committee expressed the importance of continuing the open dialogue and willingness to work with shareholders prior to proxies being sent out.

Action 3

Proxy Vote: After careful consideration of the issues, as well as additional information obtained from our various engagements, our vote decision was against the shareholder proposal. It was unclear how the proposed report would serve to mitigate these risks or provide information that differs substantially and meaningfully from the disclosure already provided by the company.

Result

The company and the shareholder proponents came to an agreement on project proposals, reaching two agreements – a Participation Agreement and an Environmental Management Agreement.



CASE STUDY — 12

Issue 1

A British retail company received heat and media coverage regarding poor governance practices over a range of internal issues. Poor working conditions and pay disparity of low wage workers compared to minimum wage requirements.

Issue 2

- Excessive non-audit fees
- Lack of disclosure surrounding the business relationship and agreements with the company of the CEO's relative (who provided certain services).
- Board proposed payment of over £11 million to a company owned by the family member of the CEO
- Loss of largest independent investor

Issue 3

Board structural issues came to light after reputational concerns affecting share prices, namely:

- Lack of female representation on the board
- Over 50% of the share capital owned by the CEO
- Board not majority independent

Action 1

- **Proxy Vote:** We supported the board refreshment while voting against the remaining veteran board members (50% of the board).
- **Proxy Vote:** Voted against the auditor fees due to lack of disclosures.
- **Proxy Vote:** Voted against the proposal to grant payment to the company of CEO's relative.

Result

The company raised the wage of the lowest wage employees to be in line with regulatory requirements. The first workers' representative was elected to the board. Chair did not receive majority support from independent investors; however, the CEO used control to vote for the Chairman to continue his position. We will seek engagement opportunities and further vote measures to indicate strong dissatisfaction to the board's lack of responsiveness to shareholder concerns.

For more information:

Call: +61 2 9229 5111 or visit www.russellinvestments.com.au

IMPORTANT INFORMATION