

# INTEGRITY



## Responsible Investing

Actively designing solutions for the future



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## OUR APPROACH

# Not all responsible investment solutions are created equal

Different organizations define 'responsible investment' in different ways, which can create considerable confusion in the market. Whether you are targeting responsible investment to align with stakeholder values, mitigate risk or comply with regulation, you want to choose a solution with real integrity and impact.

At Russell Investments, we consider true responsible investing as a long-term approach that accounts for a wide range of complex environmental, social and governance (ESG) factors.

We believe that responsible investing and performance can be complementary. Our responsible investment solutions aim to capture the right exposure without jeopardizing returns.



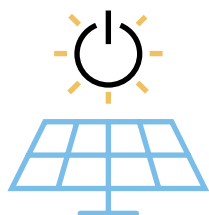
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## Our responsible investing solutions will help you to:



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Invest in what matters to you with a team that deploys a robust, integrated process and draws on a deep knowledge of how ESG factors impact security returns. Ensure your investments are not unknowingly exposed to the risk of ESG factors such as climate change, undesired controversial products and services, political upheaval or governance issues that can lead to poor outcomes over the long term.



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Proactively invest in companies with good governance, transparency and a focus on sustainability.



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Generate consistent returns through an investment portfolio designed with your organization's risk profile in mind.



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Provide key stakeholders (including shareholders, customers, unions, lobby groups, and funding bodies) with clear and comprehensive reports, demonstrating where your investments have resulted in positive sustainable practices and solutions.

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## OUR DIFFERENCE

# We bring you a carefully considered and robust approach aligned with your needs

### An integrated approach

We believe responsible investing is intelligent investing. As a result, we have embedded responsible investment practices and ESG beliefs within our investment approach. This ensures that all our investment professionals are accountable for considering ESG factors within our funds and investment processes. To support our responsible investment efforts, we have a virtual team of ESG specialists who are situated in offices across the globe. They are dedicated to championing the integration of ESG characteristics, evaluating the latest trends, performing research, and responding to changing client needs as the industry grapples with the complexity of this continually evolving aspect of investing.

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## Searching beyond the standard

Our investment approach identifies asset characteristics that are most relevant to your investment needs. We can focus on exposures that are not only sustainable but also material to your investments, enabling you to go beyond the standard. This results in innovative best practice solutions designed to help you reach your investment goals.

For example, within our decarbonization strategy, we have lower exposure to oil and gas companies and carry out analysis to understand how these companies support renewable energy.

Only then, by understanding the complete picture, do we determine the value of the investment.

## Actively evolving

We are committed to adapting our approach to be at the forefront of the changing global landscape. We proactively enhance our practices to align with client needs, regulatory changes and market conditions, constantly evolving to bring market leading solutions.

### Innovation in action

- Undertaking research and development to create a new framework that incorporates water data into our investment process.
- The implementation of our proprietary decarbonization strategy to both global asset allocations and domestic markets.
- Developed and implemented the 'material ESG score', an ESG scoring methodology that focuses on the issues that are material to a company and their profitability based on their industry. The score is informed by metrics identified by the Sustainability Accounting Standards Board (SASB).





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## OUR BELIEFS

# Responsible investing is intelligent investing



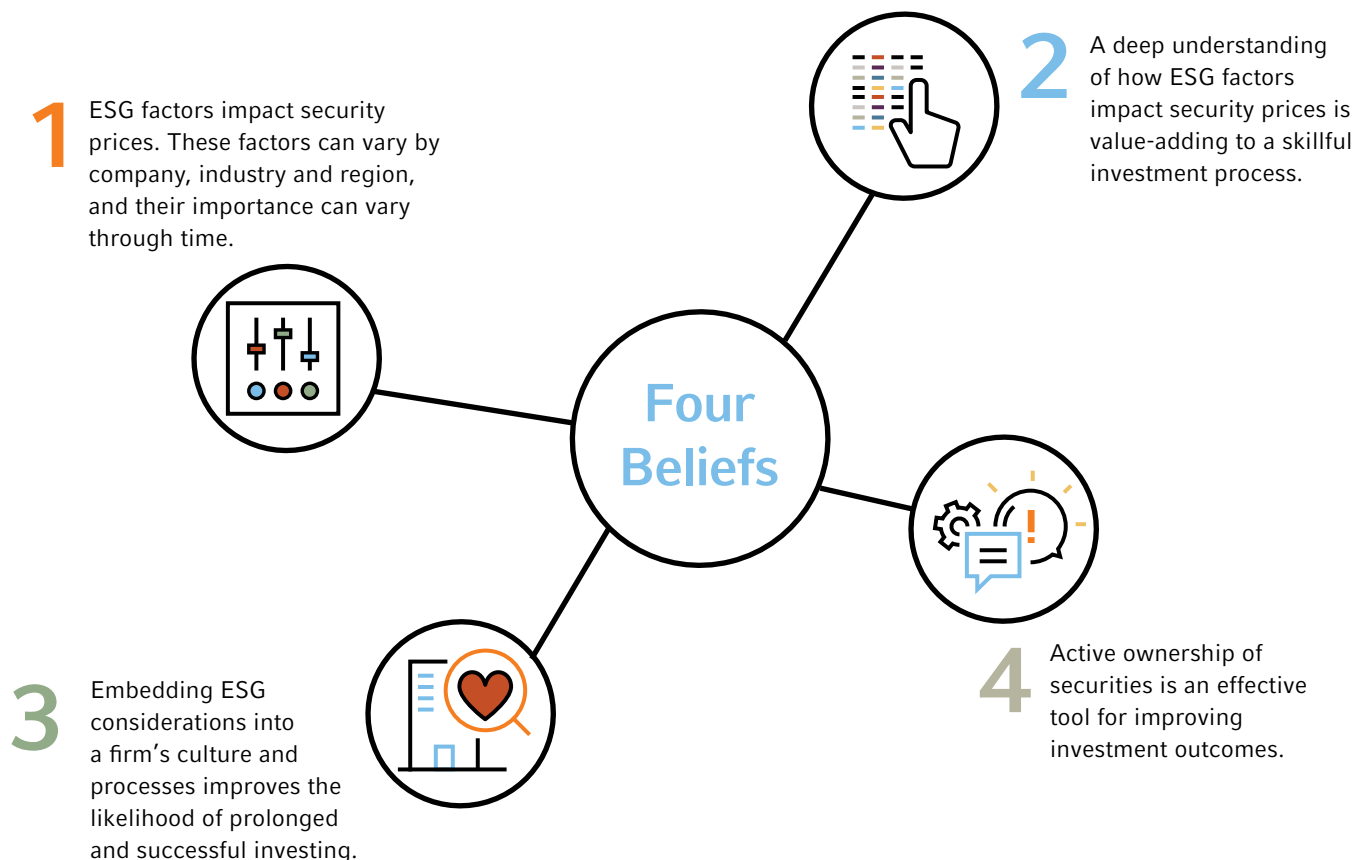
## Russell Investments achieves “A / A+” in PRI 2020 Assessment.

Russell Investments recorded an A+ or A for all 10 categories assessed in the United Nations-supported Principles for Responsible Investment (PRI) annual report. This positive assessment captures individual asset classes including: fixed income, private equity, property and infrastructure. The consistent high performance across all asset classes demonstrates the strength of our integrated investment approach.

Launched in April 2006, the PRI is an investor initiative developed in partnership with the United Nations Environment Program Finance Initiative and the United Nations Global Compact. The six guiding principles of the PRI provide global best practices that challenge investors to acknowledge ESG issues.

At Russell Investments, we believe that transparency and investing responsibly can help deliver attractive investment returns and meet client objectives in the long-term.

To reflect this, we have developed a set of four beliefs upon which our responsible investing practice is founded. These beliefs are as follows.



In addition to the beliefs we have formal global policies related to responsible investing, climate and sustainability risks:

Russell Investments' policy is to incorporate **responsible investing** into our investment manager evaluation process, our portfolio management, our advisory services, and through implementing proprietary solutions as desired by clients. (2017)

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 sub-adviser research and selection, portfolio management, advice, proxy voting and shareholder engagement, and day-to-day business. (2020)

Russell Investments' policy is to integrate **sustainability risks** in our investment solutions by identifying, evaluating and managing relevant risks in our investment manager review process, portfolio management and through implementing proprietary solutions. We 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, we 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 proprietary analysis. Furthermore, we incorporate bespoke sustainability risks based on clients' requirements for customized mandates. As well, we seek to collaborate with our advisory clients to consider, monitor and manage sustainability risk priorities in their portfolios. (2021)

**Our beliefs drive our policies and our investment practice.**

## OUR BELIEFS

# Responsible investing practices embedded within all funds

## Our responsible investment approach

We earned our A+/A rating from PRI by consistently applying our integrated investment approach through:



### Portfolio management process

#### Manager ranks

We research and rank thousands of investment products on their ability to add meaningful value to portfolios. The ESG disaggregated rank, like all disaggregated ranks, contributes to the overall manager rank.

#### Portfolio construction

We only select actively managed investment products with the highest overall ranks. As well, our products may include ESG-related themes.

#### Sustainability risk management

Our portfolio manager team has developed a Sustainability Risks Policy and Practice to complement and enhance our portfolio and risk management practices.



### Insights & research

#### Strategy development

Our researchers continually develop and refine ESG related strategies such as, Decarbonization 2.0, impact investing and ESG-themed solutions.

#### Metrics and reporting

Our internal reporting and oversight includes multiple industry-standard metrics, along with our own proprietary metrics such as the Material ESG Score.

#### Industry analysis

We regularly survey managers and calculate multiple ESG-related metrics across a number of asset classes for use by our analysts and portfolio managers.

#### Climate change

We have and continue to devote material research expertise to developing climate-change investment solutions.



### Culture and process

#### Corporate values

Russell Investments' people and values are the foundation of our company and the reason for our long-term success.

#### Diversity and inclusion

We believe that diversity and inclusion in the workplace drive better performance. Diversity is an integral part of our long-term growth and adds richness to our culture and value to our community.

#### Sustainability work practices

Reducing our impact on the environment is a vital consideration in all of our activities.

#### Community involvement

Community matters to us. Our commitment to community is one of our core values and we are committed to supporting the communities in which we live and work.



### Stewardship & Active ownership

#### Proxy voting

We aim to improve the long-term investment outcomes of assets through active ownership, focusing on four core principles: transparency, accountability, independence and long-term value.

#### Engagement

These principles have informed our selected engagement themes of environmental stewardship, climate risk reporting, cyber safety, diversity, corporate best practices, board independence and accountability, and aligned compensation practices.

#### Collaborative initiatives

We regularly collaborate with our engagement partners, Sustainability and Climate Action 100+. In addition, we are signatories to the PRI and members of numerous industry associations (refer to Industry Commitments on page 11).

The items listed above are for Russell Investments global organization.



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## OUR SOLUTIONS

# Responsible investment solutions for clients

Russell Investments has been developing investment solutions for our clients for decades, leading us to help clients successfully navigate the industry's evolving responsible investment agendas.

## Solutions developed for clients include:

### Thematic investment funds

We have developed strategies to address commonly identified investor themes such as decarbonization, systematic ESG direct investing and impact investing - all of which integrate ESG factors further into the investment process. Funds can be directly accessed or developed to meet our clients' specific requirements.

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### For Canadian investors:

#### Russell Investments ESG Global Equity Pool

This global equity strategy goes beyond reducing carbon footprint - our solution tilts a portfolio away from those companies with the greatest exposure to carbon-related risk and towards those companies expected to contribute to, and benefit from, the energy transition. The Russell Investments ESG Global Equity Pool also excludes investments in companies whose primary businesses are directly involved in the production of tobacco, alcohol and firearms.



## OUR SOLUTIONS

# Responsible investment solutions for clients

We work with our institutional clients around the world to capture their specific responsible investment requirements within their investment portfolios.

## Options available include:



### Doing well while doing good

Development of portfolios with more optimal responsible investing exposure. This includes portfolios which incorporate allocations to higher material ESG scores or to impact investing.

#### Material ESG scores

Using our proprietary material ESG score, we positively tilt portfolios towards securities with higher material ESG scores ensuring an industry appropriate comparison.

#### Impact Investing

Impact investing involves building bespoke portfolios to generate both a positive societal and environment impact, whilst generating financial returns. Examples include provision of affordable healthcare, renewable energy/climate change mitigation and food security. We design, construct and manage impact portfolios for large institutional clients, particularly in private market mandates.



### ESG-themed strategies

If you are seeking a specific portfolio outcome, our team can work with you to design, construct and manage specific investment strategies such as decarbonization or social capital to achieve your desired objectives.



### Managing exclusions

We aim to ensure that required and requested portfolio exclusions are managed to minimize unintended exposures while still aligning to investment objectives.



We aim to ensure that required and requested portfolio exclusions are managed to minimize unintended exposures while still aligning to investment objectives. can be created for investments of a minimum asset size. Please contact Russell Investments Canada for more information.

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# Industry commitments

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Signatory of:



**PRI:** Russell Investments became a signatory of the Principles for Responsible Investment (PRI) in 2009.



**CDP Climate Change:** We have been a signatory of the Carbon Disclosure Project's climate change program since 2010.



**Institutional Investors Group on Climate Change (IIGCC):** The IIGCC is the European membership body for investor collaboration on climate change. Russell Investments have been members since 2015.



The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) will develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. Russell Investments is a supporting company of the TCFD.



Climate Action 100+ is an investor initiative launched in 2017 to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Russell Investments is a signatory of Climate Action 100+.

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The above industry commitments are for Russell Investments' global organization.

## Find out more

### Visit

[russellinvestments.com/ca](https://russellinvestments.com/ca)

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