# Russell Investments ESG Global Equity Pool

## Fund Overview

Significantly reduce exposure to carbon risk while gaining equity exposure and the potential for growth

As organizations move to align their investments with their values, managing a portfolio has become increasingly complicated. The need to manage volatility and pursue portfolio growth remains, but can be balanced with the need to follow an environmental, social and governance mandate.

The Russell Investments ESG Global Equity Pool ("ESG Pool") is a global equity strategy that goes beyond reducing a carbon footprint - our solution tilts a portfolio away from those companies with greatest exposure to carbon-related risk and towards those companies expected to contribute to, and benefit from, the energy transition. The ESG Pool also excludes investments in companies that produce tobacco, alcohol or firearms.

As an equity mandate, the actively managed multi-manager ESG Pool invests in a select portfolio of high-quality companies with defensive characteristics and a value orientation, offering an attractive risk/return trade-off.

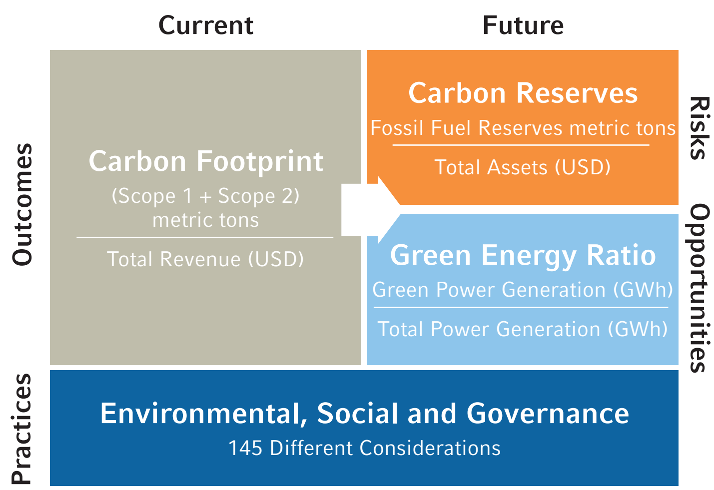
The result is a portfolio that allows clients to align their investments with their core values of environmental, social and governance responsibilities while still providing equity exposure and the potential for growth.

The ESG Pool also commits to have zero holdings in tobacco, firearms and alcohol industries and aims to achieve an ESG score greater than the MSCI World index.

## Investment approach

The ESG Pool is designed to reduce the portfolio's total exposure to carbon footprint and fossil fuel reserves by 50%, while avoiding the sector biases that can occur with a pure divestment approach.

Based on the insight gained from our research into decarbonization strategies, we have developed a novel, rules-based solution that is designed to help our clients meaningfully reduce exposure to carbonintensive holdings, and invest more in climateresilient and renewable energy opportunities without materially impacting performance. The strategy will continue to evolve as the carbon management sector develops.




### More than just a carbon reduction solution

Our quantitative portfolio construction approach tilts the portfolio away from those companies with high exposure to carbon-intensive activities and increases weight in those companies with positive environmental, social and governance (ESG) characteristics and/or involved in the development of renewable energy sources.

### Avoids unintuitive outcomes by not optimizing tracking error

It is extremely important for a low carbon strategy to have a direct relationship between a company's carbon footprint and their subsequent weight in the portfolio. The use of an optimization model which targets low tracking error can compromise this direct relationship and result in unintuitive outcomes such as two securities with the same CO2 emissions held in opposing active positions in the portfolio.

### Proactive evolution over time

As the carbon market matures and listed companies improve their reporting and transparency, we will adapt the strategy as new opportunities and risks become apparent in the market. Unlike index replication strategies which will rely on you to decide whether to adopt a new index or make additional changes to your portfolio over time, we are committed to actively evolving the solution for you.

## Strategy objectives

1. Add alpha against MSCI World Index.
2. Reduce carbon footprint by at least 50%.
3. Reduce exposure to stranded assets[1] (fossil fuel reserves) by at least 50%.
4. Eliminate exposure to companies with more than 10% of revenue from mining thermal coal or coal power generation.
5. Exclusion of tobacco and firearms.
6. Invest in companies expected to positively contribute to the transition to renewable ('green') energy sources.
7. Ensure aggregate portfolio has positive bias towards companies with high environmental, social and governance (ESG) characteristics.
8. Maintain tracking error of no more than 1% vs. the Russell Investments Focused Global Equity Pool.[2]

**How the approach is designed to be wider than just carbon reduction.**

| FACTOR | STRATEGY | DEFINITION |
|---|---|---|
| **Custom ESG exclusions** | Zero holding | Tobacco, Firearms, Alcohol |
| **Carbon emissions** | 50% reduction relative to MSCI World | Scope 1 + Scope 2 CO2Emissions)/Total Revenue |
| **Carbon reserves** | 50% reduction relative to MSCI World | Carbon reserves/Total assets |
| **ESG score** | Greater than MSCI World | Aggregated E,S, & G score |
| **Renewable energy exposure** | Greater than MSCI World | Green energy/Total energy |
| **Coal exclusion** | Zero holding | Greater than 10% revenues from coal-related activities (See point #4 above) |
| **Active Risk** | Less than 1% vs. a global equity fund[2] | Annualized tracking error (ex ante and ex post)[3] |

1 Stranded assets – carbon assets of fossil fuels (coal, oil and gas reserves) at risk of sudden and unexpected write-downs because they can never be burned if the 2-degree coal is to be reached (Copenhagen Accord)

2 As compared to Russell Investments Focused Global Equity Pool – an actively managed global equity fund without ESG screens. Tracking error is defined as the standard deviation of the difference between the returns of an investment and its benchmark.

3 Ex-post tracking error is based on realized returns, whereas ex-ante refers to a predicted level of tracking error.

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IIGCC Institutional Investors Group on Climate Change

TCFD Task Force on Climate-Related Financial Disclosures

CDP Driving Sustainable Economies

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For further information, please contact Russell Investments Canada Limited on 1-866-737-2228 or russellinvestments.com/ca/institutional




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