



RESPONSIBLE  
INVESTING  
ACTIVELY  
DESIGNING  
SOLUTIONS  
FOR THE FUTURE



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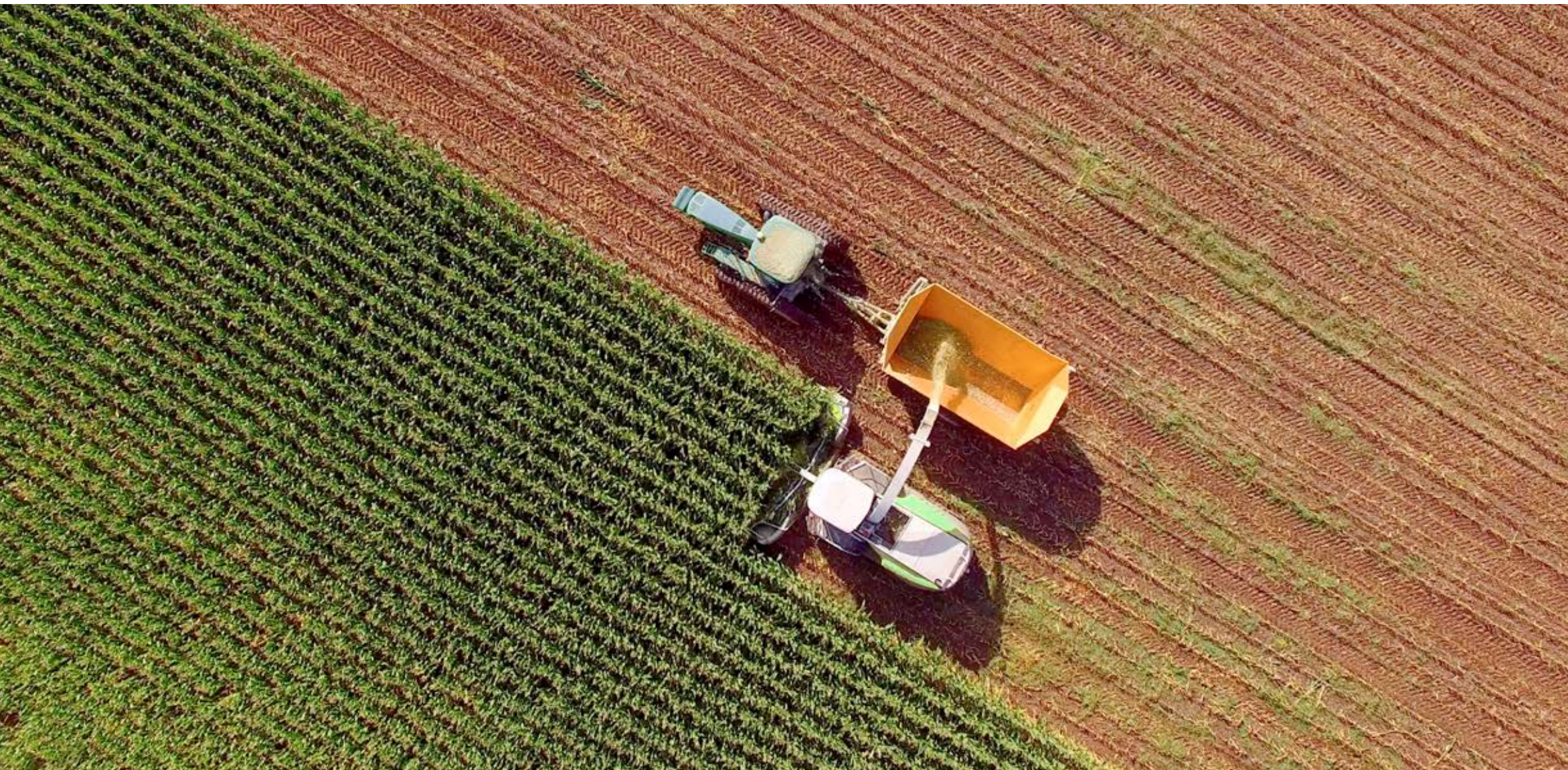


# NOT ALL RESPONSIBLE INVESTING SOLUTIONS ARE **CREATED EQUAL**

Different organizations define 'responsible investing' in different ways, creating considerable confusion in the market. Whether you are targeting responsible investments 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 investing approach aims to capture the right exposure without jeopardizing return.



## OUR RESPONSIBLE INVESTING SOLUTIONS WILL HELP YOU TO:

- 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, political upheaval or governance issues that can lead to poor outcomes over the long term.
- Proactively invest in companies with good governance, transparency and a focus on sustainability.
- Provide key stakeholders (including shareholders, customers, unions, lobby groups, and funding bodies) with clear and comprehensive reports where your investments have resulted in positive sustainable practices and solutions.

Image: Farm machines harvesting corn for feed or ethanol.  
Source: gettyimages.com



## FULLY INTEGRATED

We believe responsible investing is intelligent investing.

As a result, we have embedded responsible investing 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 investing efforts we have an integrated team of ESG specialists who are situated in offices across the globe. They are dedicated to championing the integration of ESG considerations, evaluating the latest trends, performing research, and updating the business on changing client needs as the industry grapples with the complexity of this continually evolving area.

WE BRING YOU A CAREFULLY CONSIDERED AND  
ROBUST APPROACH ALIGNED WITH YOUR NEEDS

## SEARCHING BEYOND THE STANDARD

Our approach goes beyond standard exclusions to identify asset characteristics that are most relevant to the individual investment and the overall portfolio. We capture a broad universe of measures to help protect our clients from the risk of unintended consequences but also to identify opportunities that could benefit the portfolio.

For example, within our decarbonization strategy, we don't just remove all oil and gas companies based on their carbon footprint. We look deeper to understand how these companies support renewable energy. Only then, by understanding the complete picture, do we determine the value of the investment.

## ACTIVELY LOOKING TO THE FUTURE

As the focus of sustainability best practice shifts over time, we stay committed to adapting our approach to suit the changing global landscape. You can be assured that your capital remains invested in the latest sustainability strategies.

### OUR CURRENT RESEARCH AGENDA INCLUDES INVESTIGATING:

- Water intensity metrics in a broader definition of resource efficiency.
- The impact of transport-related greenhouse gas emissions on the carbon emission supply chain.
- We have also developed proprietary ESG scores, informed by the financially material sustainability metrics identified by the Sustainability Accounting Standards Board (SASB), and the subcomponents of ESG associated with the United Nations (UN) Sustainable Development Goals. Today, the scores are being used in our research databases so that we can determine the integration of these material ESG scores throughout our investment process.

Image: Solar panels in a farm in Abruzzo, Italy. Source: gettyimages.com



# RESPONSIBLE INVESTING IS INTELLIGENT INVESTING

At Russell Investments we believe that a sound awareness of ESG factors and a robust process can help to deliver strong investment returns and meet objectives over 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.

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.

4

Active ownership of securities is an effective tool for improving investment outcomes.

## PRINCIPLES for RESPONSIBLE INVESTMENT

**Russell Investments achieves "A+" in PRI 2017 Assessment.**

Russell Investments has received the highest possible grade of "A+" in an annual assessment report from the United Nations-supported Principles for Responsible Investing (PRI) organization for each of the eight categories on which the firm reports data. This across-the-board glowing assessment covered the firm's focus on strategy & governance, direct active management, manager selection, manager appointment and manager monitoring.

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. They are global best practices that challenge investors to acknowledge environmental, social, and corporate governance (ESG) issues.

Image: Garden allotment in the UK. Source: gettyimages.com



# RESPONSIBLE INVESTING PRACTICES EMBEDDED WITHIN ALL FUNDS

Image: Crude oil tanker under cargo operations on Thailand shore station. Oil & Gas companies are amongst the highest contributors to renewable energy research. Source: gettyimages.com

## OUR RESPONSIBLE INVESTING APPROACH

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



### PORTFOLIO MANAGEMENT PROCESS

We research and rank thousands of investment products on their ability to add value to portfolios, and integrate an ESG score when assessing the product’s manager. All manager reviews include an assessment of how ESG is implemented within the investment managers’ policy, process, awareness and offering.

We also calculate our funds’ ESG and carbon metrics for use by our analysts and portfolio managers.

1



### INSIGHTS & RESEARCH

Our research actively looks towards the future. To understand how best to add long-term value for clients, we evaluate manager products both on an individual basis and an industry basis. We advocate for best practices in specialized products such as low-carbon portfolios, governance-driven strategies, green bonds and impact investing.

This helps to continually improve our own product offerings in these areas and offer best-in-class strategies.

2



### ACTIVE OWNERSHIP & ENGAGEMENT

Russell Investments believes voting is a part of a share’s value-creation process. We aim to improve the long-term investment outcomes of assets through our active stewardship and voting policy by promoting four core principles: transparency, accountability, independence and long-term value. As stewards, we monitor the effectiveness of company management on an ongoing basis. As shareholders, we aim to exert influence on corporate governance, social and environmental practices through our votes.

3



### INDUSTRY COLLABORATION

We provide education throughout the year and are involved with advising governments and industry bodies across the world. As part of this we are signatories to the United Nations-backed Principles for Responsible Investment and members of numerous industry associations (refer to page 11).

4



# RESPONSIBLE INVESTMENT SOLUTIONS FOR CLIENTS

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

Our solutions focus on exposures that are sustainable as well as material to your organization's investment goals. This allows our clients to both remove unwanted characteristics but also proactively support their organizations' positive contribution to research, innovation and leading best practices.

Solutions available for clients include:

## INVESTMENT FUND

We have developed a strategy to address commonly identified investor themes such as decarbonization, exclusion of social impact issues such as investment in tobacco products or firearms and governance issues such as diversity.

In Canada, we offer the following fund:

### ■ RUSSELL INVESTMENTS ESG GLOBAL EQUITY FUND\*

Russell Investments ESG Global Equity Fund (ESG Fund) 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 Fund also excludes investments in companies whose primary businesses are directly involved in the production of tobacco, alcohol and firearms.

\* To be renamed Russell Investments ESG Global Equity Pool as of June 29, 2018.

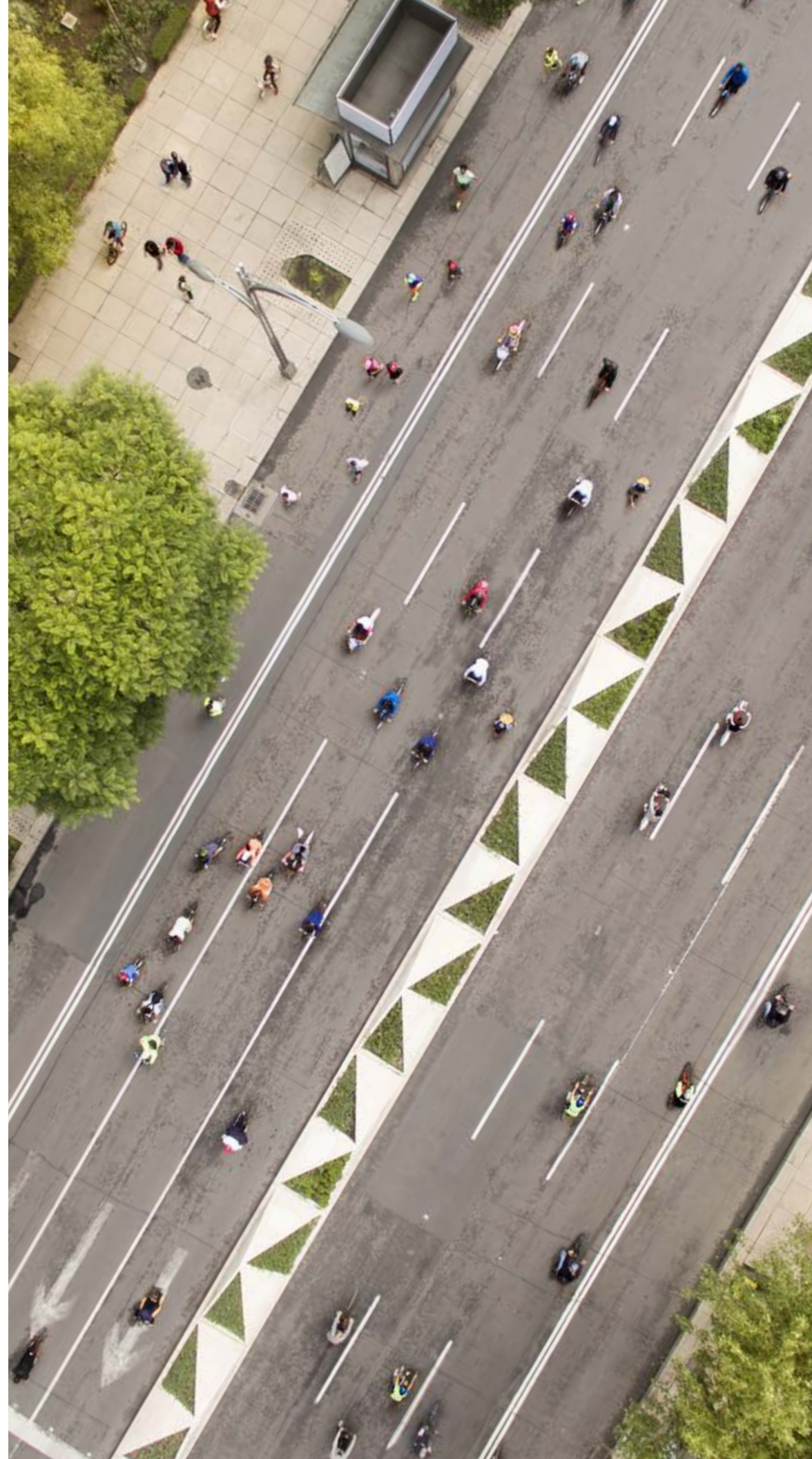


Image: Bicycle way in Mexico. Source: gettyimages.com

## OUR SOLUTIONS

As an equity mandate, the actively managed multi-manager ESG Fund invests in a select portfolio of high-quality companies with quality 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 Fund 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 carbon-intensive holdings, and invest more in climate-resilient and renewable energy opportunities without materially impacting performance.

We work with many of our institutional clients around the world to capture their specific responsible investment requirements within their investment portfolios. Options available include:

## ENHANCED PORTFOLIO IMPLEMENTATION (EPI)

By leveraging our industry-leading implementation and trading capabilities, we can emulate certain managers' underlying holdings, impose desired portfolio tilts and screen out the securities in line with the client's custom exclusion criteria.

## EXCLUSION SCREENS

A number of our clients seek to exclude companies or industries, such as tobacco, from their portfolios. We can provide investment screens based on the characteristics your organization wishes to remove from the portfolio.

## ENHANCED INDEX EXPOSURE

We can apply tailored portfolio tilting to positively invest in companies with specific traits, such as low carbon, or strong ESG characteristics, across an enhanced passive exposure.



## INDUSTRY COMMITMENTS

Signatory of:



**A+ RATING**  
IN ALL 8 MODULES



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

A+ rating in all eight modules that we were assessed against by the **PRI** in 2017. Access the full assessment at [russellinvestments.com/ca/about-us/responsible-investing](https://russellinvestments.com/ca/about-us/responsible-investing)

**CDP Climate Change:** Russell Investments became a signatory of the Carbon Disclosure Project's (CDP) climate change program back in 2010.

**Institutional Investors Group on Climate Change (IIGCC):** In 2010, Russell Investments, presented a carbon footprint methodology for an IIGCC-specified portfolio, with two other ESG data providers.

### **Responsible Investment Association (RIA) Canada:**

Russell Investments Canada Limited is a member of The Responsible Investment Association (RIA) - Canada's membership association for responsible investment. RIA members believe that the integration of environmental, social and governance (ESG) factors into the selection and management of investments can provide superior risk adjusted returns while contributing to positive societal change.

## FIND OUT MORE

### VISIT

[russellinvestments.com/ca/about-us/responsible-investing](https://russellinvestments.com/ca/about-us/responsible-investing)

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