

Remuneration Disclosure

Last updated: 31 May 2019

Regulatory background

Russell Investments Limited and Russell Investments Implementation Services Limited (together, 'Russell Investments') comply with the relevant prudential rules contained in the FCA Handbook:

- Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and
- Senior Management Arrangements, Systems and Controls Sourcebook ('SYSC').

The European regulatory framework consists of three 'Pillars':

- **Pillar 1** sets out the minimum capital required to meet the firm's credit, market and operational risk;
- **Pillar 2** requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and makes this subject to annual review by the appropriate regulator (the Financial Conduct Authority ('FCA') in the case of Russell Investments); and
- **Pillar 3** requires disclosure of specified information about the firm's underlying risk management controls and capital position, including disclosure requirements for remuneration.

The rules in BIPRU 11 set out the requirements for Pillar 3 disclosure and this document is designed to meet those requirements.

Pillar 3 remuneration disclosure

Please note that the following disclosures are in respect of those required under BIPRU 11.5.18R – 11.5.21G only.

Application to Russell Investments

Russell Investments is authorised and regulated by the FCA to provide investment management services to professional clients and eligible counterparties as a BIPRU firm. In providing these services, Russell Investments ensures that it has robust governance arrangements in place in line with its regulatory obligations, including a clear organisational structure with transparent lines of responsibility and effective risk management, monitoring and reporting systems.

Russell Investments is subject to the remuneration rules, which are contained in the FCA's BIPRU Remuneration Code (the 'Code') within SYSC Chapter 19C. The Code applies to its activities (to include regulated activities and unregulated activities in a prudential context) and takes into account activities of other members of its group. The Code covers all aspects of remuneration, including both fixed and variable remuneration. Russell Investments understands fixed remuneration to consist of payments or benefits without consideration of any performance criteria, whilst variable remuneration refers to additional payments or benefits depending on performance or, potentially, contractual criteria. Ancillary payments or benefits that are part of a general, non-discretionary firm-wide policy and pose no incentive effects in terms of risk assumption are not considered to fall within the definition of remuneration.

Russell Investments has in place a Global Remuneration Policy (the 'Policy'), which is designed to ensure that its remuneration practices:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the its business strategy, objectives, values and long-term interests.

Please note that certain senior associates have invested alongside the private equity funds that own the Russell Investments Group. Such private equity funds are managed by TA Associates and Reverence Capital Partners. Such investments are beyond the scope of this remuneration disclosure. However, this equity participation by associates helps to align the interests of such associates with the firm's business strategy, long-term interests and values.

Remuneration disclosure requirements

BIPRU provides that Russell Investments must comply with its remuneration disclosure requirements in a manner that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. This disclosure takes into account these proportionality considerations.

Russell Investments is required to disclose certain information, on at least an annual basis, concerning the Policy and remuneration practices in place for those staff of Russell Investments whose professional activities have a material impact on its risk profile.

Governance and design of the Policy and remuneration practices

The Policy and remuneration practices are overseen by the Board of Directors of the Russell Investments Group ('Board'). The Board is responsible for decisions on remuneration, particularly in relation to:

- setting and approving the annual incentive remuneration pool;
- periodically reviewing and approving the remuneration practices and the Policy (which is approved in conjunction with the senior management of Russell Investments); and
- determining the remuneration of members of the Executive Committee and other senior management.

The Chief Executive Officer liaises with heads of business units, human resources, risk management, compliance, finance, legal and managers (as appropriate) to approve individual remuneration recommendations based on the review process.

Policy and remuneration practices of Russell Investments

The Policy and remuneration practices are intended to attract, retain and motivate associates to use their knowledge, expertise, business acumen and leadership skills to serve its clients effectively. In addition, the Policy and remuneration practices are intended to:

- promote sound risk management practices and align with its risk management principles;
- discourage risk taking that is inconsistent with its risk appetite or risk management policies and principles;
- control fixed costs by ensuring that remuneration expense varies with profitability and does not constrain its ability to strengthen its capital base;

- link a significant portion of an associate's total remuneration to its financial and operational performance, the performance of the business unit as appropriate, as well as the associate's individual performance; and
- provide competitive, but not excessive, levels of remuneration compared to peer firms of appropriate size, business scope, geography, complexity and profitability.

The Policy and remuneration practices are intended to support its business strategy, long term interests and values, and to ensure that risk taking does not exceed its tolerated level of risk. Periodic benchmarking ensures that incentive remuneration at the individual associate level is not unreasonable or disproportionate to the amount, nature, quality and scope of the work performed.

Base salaries are intended to provide regular cash flow to associates throughout the year, irrespective of company or individual performance. Base salaries and benefits linked to salary have traditionally constituted the bulk of total remuneration for a significant majority of its associates.

For senior professional, managerial and executive roles, annual incentive awards can represent a significant percentage of total remuneration, as is typical in investment management and the broader financial services industry in which Russell Investments competes. By placing a strong emphasis on annual incentive awards, Russell Investments is able to limit fixed remuneration expense whilst rewarding associates for their individual contributions and the achievement of annual financial and non-financial goals.

Certain associates in sales-based roles are paid according to a more formulaic sales remuneration plan, based on the generation of assets under management and/or revenue generated. Each associate in this type of role has a formal agreement setting out the terms of their commission arrangements. Commission plans generally contain an element of discretionary pay, the extent of which depends on the associate's role within the sales organisation. Discretionary payments are intended to reward teamwork and adherence to organisational values, which include sound risk management practices.

Aggregate remuneration at Russell Investments

The aggregate remuneration for its remuneration code staff for the financial year ended 31 December 2018 was £16.7 million. The total number of its remuneration code staff was 24.

Russell Investments has made no omissions on the grounds of data protection.