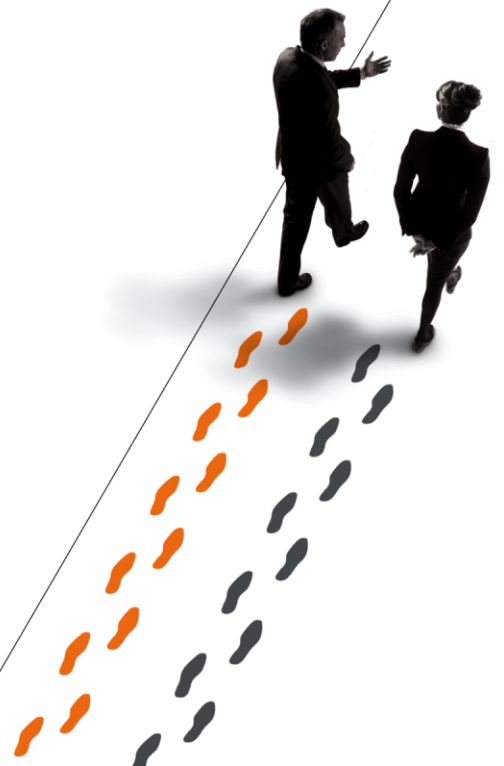




Engagement Policy



Engagement Policy

June 2019

POLICY OVERVIEW

At Russell Investments, we believe that being an active owner is an important component of our 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.

Our engagement process and activities are led by our Engagement Sub-Committee, which reports to the Proxy Voting and Engagement Committee. The members of these committees are drawn broadly from across our investment teams to ensure a diversity of expertise and perspective. As a premier investment solutions partner with multi-asset and multi-manager capabilities, we leverage a broad set of relationships to exert influence and enable multiple levels of engagement. These connections also provide information sharing and serve as an important feedback loop into our active ownership processes.

APPROACH TO ENGAGEMENT

We place high importance on corporate governance best practices and the appropriate levels of risk mitigation, seeking to gather additional information regarding these topics from both investee companies and the sub-advisors we hire within our funds. Our engagement team is comprised of investment division members from various regions and product teams, who also participate as proxy committee members. This membership coverage is designed to incorporate firmwide investment knowledge into our voting and engagement processes.

Our business relationships and engagement activities extend across three groups: engagement with and through our sub-advisors, collaborative engagements with market participants, and of course direct corporate engagements. These dialogues allow us to better identify ESG risks and opportunities that strengthen our active ownership processes.



Direct Corporate Engagements

The most common method of engagement takes place directly with companies held within our portfolios. Each discussion aims to encourage self-correction, allowing management to assess and address shareholder concerns in a timely manner. Our intent is to improve corporate governance practices as well as bring ESG¹ risk awareness to management. Maintaining positive, long-term relationships allows us to enhance shareholder value and rights. For this reason we do not typically disclose company names in our engagement case studies.



Investment Partner Dialogue

Given our unique position as multi-asset managers, we leverage our relationships with our sub-advisors to provide an informed and integrated approach to active ownership. Sub-advisors are hired to play targeted, value-enhancing roles in our portfolios. Day-to-day they are routinely in close proximity to our investee companies, so it is natural that their insights and recommendations regularly contribute to our engagement and voting processes.



Collaborative Engagements with Market Participants

These broader engagement activities are held with non-affiliated stakeholders and allow us to understand changes in view points and market trends. Discussions with non-affiliated market participants, such as industry fora, lead to a deepened understanding on the drivers of shareholder value and rights. We utilize the knowledge gained from these engagements to enhance our voting guidelines, engagement themes and active ownership processes.

ENGAGEMENT SELECTION

When choosing among engagement opportunities, we take into account past and current proxy items, ESG analysis from our third-party vendor of ESG metrics (Sustainalytics), and Russell Investments' ownership levels. These factors in combination highlight a robust set of engagement opportunities with meaningful potential impact.

Shareholder proposals are a frequent source of outreach activities. Unsupported shareholder proposals where we believe the concept may add to shareholder value but are overly prescriptive and/or poorly drafted are reviewed by our engagement team. In these cases, our integrated engagement efforts support and complement our proxy voting process since, through engagement, we can communicate our support of ESG issues and encourage positive change (irrespective of our vote). Other engagements directly support the discovery process leading up to a proxy committee vote. This gives the committee a more comprehensive understanding of the potential impact of current and future proposals upon which the Committee is asked to vote. Finally, companies with a low ESG score offer engagement potential because low scores can indicate that a company faces above average financial risk or reputational risk. Reducing risk is one means of protecting shareholder value.



Identifying Engagement Opportunities

Proxy ballot

- Voting against management proposal
- Controversial issues or contentious shareholder proposals

ESG data reports

- Companies with low ESG scores – generally below 50
- High Controversies and risks listed in the report

Ownership levels

- We attempt to engage with companies in which we hold a meaningful and impactful weight, typically defined as ownership above 1.5% of shares outstanding

¹ Environmental, Social and Governance factors are a subset of non-financial performance indicators.

ENGAGEMENT FOCUS THEMES

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 and rights. We organize our engagement efforts among five specific categories: compensation, independence/accountability, diversity, sustainability, and shareholder outreach. However, we continually review and adapt these focus areas to address emerging investment risks and opportunities and to respond to our clients' needs. More information on this approach can be found on our website (russellinvestment.com/about-us/responsible-investing).



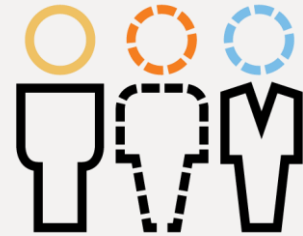
Compensation

We believe that aligning executive compensation with corporate performance is in shareholder best interests. This is a frequent topic of engagement for companies with poor compensation structure, or a pay-for-performance disconnect. Votes may be withheld from directors who serve on compensation committees where the company has maintained poor compensation practices.



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. If the board, by our evaluation, has not made significant progress towards implementing strategies to address shareholder concerns we will consider voting against board members.



Diversity

There is increased recognition that a diverse team leads to greater successes than a non-diverse team, with benefits including better task performance and greater organizational 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. Proposals requesting an increase in gender or racial minority representation are individually reviewed and voted on a case-by-case basis.



Environmental stewardship

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. We encourage the appropriate disclosure on ESG issues, identifying areas in which a company is lacking or lags peers.



Climate risk reporting


We recognize the risk of financial impacts of climate change on a business and potential implications of the lack of disclosure. In an effort to support an industry standard of reporting, and to better assess company relativity, we promote increased transparency when necessary. We believe increased disclosure will enable a thorough assessment of risk and return.



Cyber Safety

Insufficient attention and protocols surrounding client data and privacy can lead to considerable monetary losses. Increased disclosure is important to understand board oversight of these risks and the company's procedures to reduce vulnerabilities.

ENGAGEMENT TRACKING AND ESCALATION



OUTCOME TRACKING
Company changed practice
Company committed to change
Disclosure / report published
Increased understanding / Information
Ongoing
Voting

The engagement subcommittee maintains a record of all engagement activities including the issues discussed and outcomes. Information relevant to a shareholder proposal that is under current consideration by the proxy committee is circulated with the appropriate analysis. Instances in which our engagement team views a company as unresponsive to the issues raised may lead to an escalation of votes against management proposals and/or votes against directors.

Russell Investments is a signatory to the Principles of Responsible Investing (PRI), and our engagement team has adopted the PRI framework for tracking engagement outcomes. Outcomes that Russell Investments can and will pursue are listed to the left. Purchase and sale decisions are determined by Russell Investments' or its sub-advisors based on the investment and non-investment merits of any particular investment decision and the terms and conditions of applicable client and sub-advisory agreements. However, to the extent that the investment objectives or strategy of a particular Russell Investments client or account takes certain ESG factors into account, our active ownership practices could affect investment purchase and sale decisions for those clients or accounts.

The engagement sub-committee report engagement activity and results to our Proxy Committee on a quarterly basis. Developments and revisions of engagement policies/procedures are also reported during Proxy Committee meetings where members provide additional input and approval.

Although we consider all additional analysis and materials obtained from our engagements in our proxy voting process, the proxy committee always votes independently – maintaining the Russell Investments proxy voting guidelines as the overarching authority. Securities in our securities lending program are restricted and recalled where we have significant holdings or when a merger/acquisition is presented on a ballot. Additional information regarding our voting guidelines, policies and engagement activity can be found on our responsible investing website: <https://russellinvestments.com/us/about-us/responsible-investing>

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