

# SFDR Article 8 Sub-Funds – Website Disclosures

## Sections based on Articles 23 to 36 [SFDR](#)

### [Delegated Regulation \(EU\) 2022/1288](#)

**Full name of the Article 8 sub-fund:** Russell Investments Global Low Carbon Equity Fund (the “Fund”)

**Legal entity identifier:** 5493005N5J58TN8KU191

**Date of review:** 1 January 2023

## Zusammenfassung

Der Fonds ist als Artikel-8-Finanzprodukt im Sinne der SFDR eingestuft. Das bedeutet, er bewirbt ökologische und/oder soziale Merkmale. Nachhaltige Investitionen sind kein Ziel des Teilfonds.

Der Fonds bewirbt die folgenden ökologischen und sozialen Merkmale:

- Reduzierung der Kohlenstoffbelastung von Unternehmen, in die investiert wird.
- Verbesserung des Anteils umweltfreundlicher Energiequellen (Green Energy Ratio) von Unternehmen, in die investiert wird.
- Verbesserung des ESG-Scores von Unternehmen, in die investiert wird.

Um diese Merkmale zu erreichen, hat der Hauptfinanzverwalter verbindliche Ziele für die Optimierung der ökologischen und sozialen Merkmale des Fonds im Vergleich zum MSCI World Index gesetzt.

Es wird davon ausgegangen, dass immer mindestens 90 Prozent der Vermögenswerte des Fonds in Aktien oder aktienähnliche Wertpapiere investiert sein werden, die alle den verbindlichen Elementen der vom Fonds verwendeten Anlagestrategie zum Erreichen der vom Fonds beworbenen ökologischen und sozialen Merkmale unterliegen.

Das ökologische und soziale Ziel des Fonds wird kontinuierlich überwacht. Der Hauptfinanzverwalter nimmt neben öffentlich verfügbaren Informationen externe Datenanbieter in Anspruch, um das ökologische und soziale Ziel zu überwachen. Die externen Datenanbieter können geschätzte Daten heranziehen, wenn für einen Emittenten keine ausreichenden Daten verfügbar sind. Wo Schätzungen herangezogen werden, stützen sich die Datenanbieter auf solide Schätzmethode. Dennoch können Schätzungen dazu führen, dass Daten für einige Emittenten eine geringere Qualität haben.

Der Fonds ist eine passive Nachbildung des MSCI World Index. Das bedeutet, dass jedes Unternehmen im Index für Anlagen in Frage kommt, sofern es nicht auf einer der Ausschlusslisten des Fonds steht. Das ESG-Overlay des Hauptfinanzverwalters reduziert das Spektrum der Indexkomponenten, in die der Fonds investiert.

Dialog ist nicht Teil der ökologischen Strategie, jedoch verfügt der Hauptfinanzverwalter über einen Dialogprozess und kann im Kontext der Beurteilung bezüglich einer guten Unternehmensführung mit Emittenten in einen Dialog treten.

Es wurde kein Index als Referenzwert bestimmt, um festzustellen, ob der Fonds auf die von ihm beworbenen ökologischen oder sozialen Merkmale ausgerichtet ist.

## **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## Environmental or social characteristics of the financial product

The Fund promotes the following environmental and social characteristics (as detailed further in the section entitled 'Methodologies for environmental or social characteristics'):

- Reduction in the carbon exposure of investee companies.
- Improvement in the Green Energy Ratio of investee companies.
- Improvement in the ESG Score of investee companies.

The Fund is actively managed with reference to the MSCI World Index (the "**Index**"). The Index is a broad market index and is not used by the Fund to attain the environmental or social characteristics promoted by the Fund.

## Investment strategy

Following the selection of the equity and equity related securities, in line with the investment objective and policy of the Fund, the Principal Money Manager will apply a proprietary quantitative active overlay (the “**ESG Overlay**”) to such equity and equity related securities in order to identify those securities within the Index which will allow the Fund to:

- (i) reduce its carbon exposure levels compared to the Index;
- (ii) deliver a higher Green Energy Ratio versus the Index; and
- (iii) achieve a higher ESG Score than the Index.

The Principal Money Manager’s systematic quantitative process balances each of the aims (i) to (iii) together with the intended tracking error to create the portfolio from which the Fund will invest. In normal market conditions, the Fund will be managed in such a manner that the active overlay will not result in the tracking error of the Fund against the Index exceeding 0.50%. In addition, all Prohibited Coal Companies are excluded from investment.

Non-financial analysis will be undertaken on at least 90% of the Fund’s equity and equity related securities. This means that when the Principal Money Manager is evaluating the performance of the Fund’s non-financial indicators (eg, carbon exposure, Green Energy Ratio), at least 90% of these securities will be subject to analysis and measurement. It may not be possible to analyse and measure the performance of certain assets in respect of certain non-financial indicators, as data (or sufficiently high quality data) may not be available.

The Fund has binding environmental and social targets which are measured using the objective sustainability indicators (described below). The binding elements of the investment strategy used to achieve these targets are set out below.

The ESG Overlay Strategy, which is used to achieve these targets, is binding and integrated into the analysis undertaken by the Principal Money Manager when making investment decisions in respect of the Fund. The requirement to exclude Prohibited Coal Companies from investment is binding on the Fund.

### Reduction in the carbon exposure of investee companies:

Aggregate Carbon Footprint and Carbon Reserves of the Fund portfolio at least 30% lower than the Index.

The Fund excludes from investment all Prohibited Coal Companies.

### Improvement in the Green Energy Ratio:

Green Energy Ratio of the Fund higher than the Green Energy Ratio of the Index.

### Improvement in the ESG Score of investee companies:

Average ESG Score of the Fund higher than the Average ESG Score of the Index.

## **Good Governance**

The Fund will invest in corporations which follow good governance practices by international standards.

The Principal Money Manager utilises the services of a highly reputable third party data provider to identify corporations which are aligned to the United Nations Global Compact Principles (“**UNGC Principles**”) and are therefore deemed by the Principal Money Manager as having good governance practices. This identification process includes a holistic assessment of core metrics for measuring good governance, including company responsibility, company management and the severity of impacts on stakeholders and/or the environment. The Principal Money Manager's default position, as regards the selection of investments, is that the Fund will not invest in corporations that are identified as breaching any of the UNGC Principles.

In cases where a corporation is deemed to have breached a UNGC Principle, the Principal Money Manager may elect to initiate an engagement and review process in respect of the relevant corporation's governance practices. Under this process, the Principal Money Manager will engage with the relevant corporation to understand why a breach of the UNGC Principles has been identified and to promote improvements in the governance practices within the corporation, if deemed necessary. Following this engagement process the Principal Money Manager may make a determination that the relevant corporation exhibits good governance practices, despite the initial assessment of the corporation, and can therefore form part of the portfolio of the Fund.

If a corporation held by the Fund is identified as having breached a UNGC Principle following the initial assessment described above, the Fund may continue to hold shares of the corporation, provided that the engagement and review process has been initiated and only until such time as it has been completed. If the relevant corporation refuses to actively engage with the Principal Money Manager or if at the end of the review period the corporation has not demonstrated sufficient good governance practices, the Principal Money Manager (or its delegate) will divest of its holdings in the corporation.

The Principal Money Manager has in place a robust governance process around decisions that are made following each engagement and review process outlined above, with each determination being overseen and managed by the Principal Money Manager's Global Exclusions Committee.

## Proportion of investments

It's expected that at all times at least 90% of the Fund's assets will be invested in equities or equity related securities, all of which will be subject to the binding elements of the Fund's investment strategy used to attain the environmental or social characteristics promoted by the Fund.

The remainder of the Fund's assets and their purposes are detailed below, and further in the Prospectus.

The Fund does not commit to investing in sustainable investments or investments aligned with the Taxonomy Regulation.

### Other investments:

Cash and cash equivalents may be used for liquidity management.

Futures may be used for cash management and cash equitization purposes.

Where the assets are not fully invested in the securities comprising of the Index, or it is not possible for the Fund to hold the securities directly, the Fund may seek to achieve its investment objective by investing in financial derivative instruments in the form of futures and options.

For efficient portfolio management purposes, the Fund may engage in currency hedging transactions (in the form of currency futures, foreign exchange forwards, currency options and currency swaps). The Fund may also carry out spot foreign exchange transactions.

No minimum environmental or social safeguards will be in place in relation to such holdings.

The Fund does not use derivatives for the purpose of attaining the environmental or social characteristics it promotes.

## Monitoring of environmental or social characteristics

The Carbon Footprint, Carbon Reserves, Green Energy Ratio and ESG Score of the Fund and of the Index are monitored by the Principal Money Manager's portfolio management system.

The Prohibited Coal Company exclusions are coded into the Principal Money Manager's trade order management system. This serves as a systematic control for the Fund. When individuals authorised to trade on the Fund's behalf generate trade orders, these orders are automatically screened against the coded exclusion list. Any trades in securities on the exclusion list are flagged and halted from moving forward to trade execution. In this way, the Principal Money Manager can apply pre trade controls on the Fund. In addition, the order management system provides end of day/post trade exclusion monitoring, which is monitored by the same dedicated team. Any post trade exclusion violations are escalated to the appropriate compliance officers.

To facilitate external monitoring, the Principal Money Manager provides reporting to the Manager and to the Fund board on at least an annual basis.



## Methodologies for environmental or social characteristics

### **Characteristic: Reduction in the carbon exposure of investee companies.**

*Indicator: Aggregate Carbon Footprint and Carbon Reserves of the Fund portfolio at least 30% lower than the Index.*

“Carbon Footprint” means Carbon Emissions in metric tons of carbon dioxide equivalent (CO<sub>2</sub>-e), divided by company revenue (USD).

“Carbon Emissions” means:

- Scope 1 (direct emissions): activities owned or controlled by an organisation that releases carbon emissions straight into the atmosphere; and
- Scope 2 (energy consumption): carbon emissions being released into the atmosphere associated with consumption of purchased electricity, heat, steam and cooling. These are a consequence of a company’s activity but which occur at sources the company does not own or control.

“Carbon Reserves” means the relative fossil fuel reserves of a company in metric tonnes, divided by total company assets.

*Indicator: The percentage Fund holdings in Prohibited Coal Companies.*

“Prohibited Coal Companies” means companies which derive more than 10 per cent. of their revenue from coal power generation or thermal coal production except for companies which either: (i) derive at least 10% of their power generation from renewable energy sources; or (ii) have made a public commitment to divest from their coal related activities or reach zero emissions by 2050, provided in each case that any such companies derive less than 25 per cent. of their revenue from coal power generation or thermal coal production.

### **Characteristic: Improvement in the Green Energy Ratio of investee companies.**

*Indicator: Green Energy Ratio of the Fund higher than the Green Energy Ratio of the Index.*

“Green Energy Ratio” means the proportion of green power generation divided by total power generation of investee companies. Total power generation takes into account the energy source calculations of green, brown and grey power generation. Green power generation includes energy sources such as wind, solar, biomass geothermal wave/tidal and hydroelectric. Brown energy sources are coal, natural gas, liquefied petroleum gas energy, petroleum and liquified neutral gas power. Grey power generation comes from nuclear power, landfill gas and any other power generated from a source not listed above.

### **Characteristic: Improvement in the ESG Score of investee companies.**

*Indicator: Average ESG Score of the Fund higher than the Average ESG Score of the Index.*

The Principal Money Manager uses a quantitative proprietary method to allocate an ESG score (“**ESG Score**”) to each investee company.

To determine ESG Scores, the Principal Money Manager evaluates quantitative and qualitative information from an independent ESG vendor specialising in the provision of ESG data. The data received from the ESG provider provides scores for many different types of ESG topics from more granular issues such as employee turnover rate, human capital development, carbon intensity, and board diversity to larger issues such as involvement in incidents or controversies.

The ‘materiality’ of this ESG data is determined using the industry-level materiality map developed by the Sustainability Accounting Standard Board. The materiality map focuses on sustainability strategies of the most important issues that underpin the five broad sustainability dimensions: (i) environment; (ii) social capital; (iii) human capital; (iv) business model and innovation; and (v) leadership and governance. The map identifies



sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry under each of the above dimensions. This is then aligned with the company-level data received from the ESG data vendor.

Issuers are rated on how well they proactively manage the ESG issues that are most material to the particular issuer's business. The proprietary ESG Score differentiates between companies based on ESG issues that are financially material to their business (and, therefore, profitability) rather than applying the same scores to all stocks regardless of their industry. Each company in the Index will be given an ESG Score which is calculated out of 10. The Fund is not required to invest in every company that meets the ESG criteria. The Principal Money Manager will use the material ESG strategy to assist with identifying and selecting companies that will improve the ESG score of the Fund relative to the Index.

The Fund aims to have a higher ESG score than the Index through the application of this "material" ESG strategy.

## Website section ‘Data sources and processing’

The Principal Money Manager will utilise data sourced from independent providers as well as publicly available information which may include company reports. Carbon Footprint and Carbon Reserves data are currently sourced from MSCI ESG Research Inc. The quantitative and qualitative data used for the quantification of ESG Scores and UNGC Principle alignment data are sourced from Sustainalytics. The Principal Money Manager calculates the Green Energy Ratio from data received from a third party provider.

Prior to using data as part of any Fund’s investment strategy, the Principal Money Manager carries out data quality and coverage assessments. This ensures the quality of data in use is of an appropriate level. Once data has been integrated into a strategy, the Principal Money Manager relies on third party providers to manage data quality and any estimation methodologies applied.

Data is received from third party providers in a variety of file formats. Once the Principal Money Manager receives data from a provider, it is processed and stored in internal databases by the Principal Money Manager’s data integration team. At this point, the data is accessible to investment teams through a variety of tools and resources.

For Carbon Footprint and Carbon Reserves data, the Principal Money Manager relies on the data directly from the provider with no further transformations or calculations completed. For ESG Scores, data received from the relevant provider is used by the Principal Money Manager for further internal calculations to produce the final ESG Score.

The Principal Money Manager does not complete any estimation of ESG data. Any estimation that occurs is done at the provider level and follows its respective estimation methodology. Once the Principal Money Manager receives data from a provider, any underlying company that has missing data will remain that way.

Data quality controls exist at the following levels:

- (i) provider level;
- (ii) at the integration stage (by the data integration team); and
- (iii) as part of the portfolio analysis conducted within the investment teams.

## Limitations to methodologies and data

The primary limitation in the methodology described above for the attainment of the environmental or social characteristics of the Fund is that, in cases where data coverage is not available, the third party data providers may choose to apply estimation methodologies for ascribing a values to a company and thus the quality of the data used to measure the indicators may be a concern for companies without sufficient provider coverage. This is typically found among smaller issuers and those in less developed markets. Any security for which no data is received by the Principal Money Manager, will remain without a Carbon Footprint value ascribed to it. Where securities are missing data, they are generally held by the Fund at a weighting very close to their weight in the Index. Such companies are not included in the indicator calculations.

The data providers use robust estimation methodologies and are constantly improving their data quality and coverage levels. The Principal Money Manager does not conduct any ESG data imputation, which helps to ensure there are no inconsistencies among estimation methodologies within each respective dataset.

Another limitation to the methodologies used, is the data providers' ability to deliver data accurately and in a timely manner.

The likelihood of these limitations having a material impact on the Fund's ability to achieve its environmental or social characteristics is considered by the Principal Money Manager to be minimal.



## **Due diligence**

The Fund is a passive replication of the MSCI World Index, meaning any company in the Index is considered eligible for investment, provided it is not on one of the Fund's exclusion lists. The Principal Money Manager's ESG Overlay reduces the scope of the Fund's investments from within the Index constituents.



## **Engagement policies**

Engagement is not part of product's environmental or social strategy, however, the Principal Money Manager has an engagement process and may engage with issuers in the context of good governance assessments.



## **Designated reference benchmark**

No index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental or social characteristics that it promotes.