

# 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 Bond Fund  
(the “Fund”)

**Legal entity identifier:** 5ZNZMKEW1U06MVK7FS76

**Date of review:** 1 January 2023

## Summary

The Fund is categorised as an Article 8 financial product for the purposes of SFDR, meaning it promotes environmental and / or social characteristics. The Fund does not have as its objective sustainable investment.

The Fund promotes a reduction in Carbon Emissions. It has a binding carbon reduction target, which is to reduce the Carbon Footprint of the corporate debt portion of the Fund portfolio to at least 20% lower than the corporate debt portion of the Fund's reference benchmark.

In order to achieve this target, the Fund excludes from investment, certain companies involved in coal power generation or thermal coal production (with certain exceptions).

It is expected that at all times at least 20% of the Fund's assets will be invested in corporate debt, which will be subject to the Fund's binding Carbon Footprint reduction target and will therefore be used to meet the environmental characteristic promoted by the Fund.

The Fund's environmental target is monitored on an ongoing basis. A third party data vendor, along with publicly available information, are used by the Principal Money Manager for the purpose of monitoring the environmental target. Estimated data may be used by the third party vendor where sufficient data coverage is not available for an issuer. Where estimation is relied upon, robust estimation methodologies are used by the data vendor, however, estimated may still result in lower quality data being relied upon for some issuers.

The Principal Money Manager's research team is responsible for conducting due diligence on the Money Managers, who select investments for the Fund, and they are monitored on an ongoing basis by the Principal Money Manager's investment teams.

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

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

## **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 a reduction in Carbon Emissions (as defined in the section entitled 'Methodologies for environmental or social characteristics' below).

The Fund is actively managed with reference to the Bloomberg Global Aggregate Index (USD) – Total Returns (the "**Index**"). The Index is a broad market index and is not used by the Fund to attain the environmental characteristics promoted by the Fund.

## Investment strategy

The Principal Money Manager (or its delegate(s)) will exclude from investment, all Prohibited Coal Companies. These companies have been identified by the Principal Money Manager as having a relatively high exposure to carbon-intensive activities, and their exclusion will ensure the binding Carbon Footprint reduction target (described below) of the Fund is met.

If, following the application of the exclusions policy, the Fund has not met its Carbon Footprint reduction target, the Principal Money Manager (or its delegate(s)) will evaluate the Carbon Footprint of all remaining investments of the Fund and will take measures to ensure that its holdings are adjusted to sufficiently reduce its Carbon Footprint in order to meet its Carbon Footprint reduction target.

“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.

The Fund has a binding environmental target which is measured using the objective sustainability indicator (described in the section entitled ‘Methodologies for environmental or social characteristics’). The binding elements of the investment strategy used to achieve this target are set out below:

The requirement to exclude Prohibited Coal Companies from investment is binding on the Fund.

The aggregate Carbon Footprint of the Corporate Debt portion of the portfolio will be at least 20% lower than the Corporate Debt portion of the Index.

### Good Governance

The Fund will invest in securities of 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 securities 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 20% of the Fund's assets will be invested in Corporate Debt, which will be subject to the Fund's binding Carbon Footprint reduction target and will therefore be used to meet the environmental characteristic 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:

Transferable debt instruments denominated in a variety of currencies which include but are not limited to, municipal and government bonds, agency debt (being that issued by local authorities or public international bodies of which one or more governments is a member) and mortgage related debt, that are listed, traded or dealt in on a Regulated Market in the OECD and which may have fixed or floating interest rates. Such instruments will be used to achieve the investment objective of the Fund.

Financial derivative instruments such as futures, forward contracts, options, swaps and swaptions, forward foreign exchange contracts, caps, floors and credit derivatives, any of which may be listed or over-the-counter. Such instruments may be used for efficient portfolio management or for investment purposes.

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 characteristic it promotes.

## **Monitoring of environmental or social characteristics**

The Carbon Footprint of the Fund and of the Index is monitored by the Principal Money Manager's portfolio management systems.

In addition, the Principal Money Manager monitors issuers within the Fund which produce high Carbon Emissions and it engages with the underlying Money Managers to seek further information on the roles such issuers play in the Fund portfolio.

The Prohibited Coal Company exclusions are coded into the Principal Money Manager's trade order management system. Where Money Managers are executing trades on behalf of the Fund, the system operates on a post trade basis and is monitored by a dedicated team. Investments made by the Money Managers are screened against the coded exclusion list and any 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 Carbon Emissions**

*Indicator: Aggregate Carbon Footprint of the Corporate Debt portion of the portfolio at least 20% lower than the Corporate Debt portion of 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.

“Corporate Debt” means investment grade corporate debt and high yield corporate debt.

A 20% lower Carbon Footprint in the Corporate Debt portion of the portfolio as compared to the Corporate Debt portion of the Index indicates that the Fund is attaining its environmental characteristic.

## Website section ‘Data sources and processing’

The Principal Money Manager will utilise data sourced from independent vendors as well as publicly available information which may include company reports. Carbon Footprint data is currently sourced from MSCI ESG Research Inc. UNGC Principle alignment data is sourced from Sustainalytics.

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 data, the Principal Money Manager relies on the data directly from the provider with no further transformations or calculations completed. The Principal Money Manager does not complete any estimation of Carbon Footprint 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 the 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

A limitation in the methodology described above for the attainment of the environmental characteristic of the Fund is that, in cases where data coverage is not available, the third party data provider may choose to apply an estimation methodology for ascribing a Carbon Footprint value to a company and thus the quality of the data used to measure the indicator 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. The data provider uses robust estimation methodologies and is constantly improving its data quality and coverage levels. The Principal Money Manager does not conduct any Carbon Footprint imputation, which helps to ensure there are no inconsistencies among estimation methodologies within each respective dataset.

In addition, Carbon Footprint data coverage for Corporate Debt issued by privately-held companies can be limited. The Principal Money Manager works with data providers and the Money Managers to continue to seek an expansion of coverage in this area.

For sovereign debt, there is not yet a clear consensus across the industry on the standard to be applied for ascribing Carbon Footprint values. As a result, the Fund's indicator only takes Corporate Debt into account. The Principal Money Manager is continuing to assess the data coverage available for sovereign debt, which includes monitoring market guidance and engaging with the Money Managers and data providers.

Another potential limitation to the methodology used, is the data provider's ability to deliver data accurately and in a timely manner.

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

## Due diligence

Eligible securities are identified for the Fund by the Money Managers which the Principal Money Manager selects to manage portions of the Fund portfolio. The Principal Money Manager selects the Money Managers based on a range of factors including the integration of ESG criteria in their processes. The Principal Money Manager's research team is responsible for conducting due diligence on the Money Managers and they are monitored on an ongoing basis by the Principal Money Manager's investment teams. Due diligence is not carried out on investments specifically as part of the Fund's strategy for achieving the environmental characteristic. Instead, the environmental strategy reduces the scope of investments by excluding Prohibited Coal Companies.



## **Engagement policies**

Engagement is not part of product's environmental 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.