Russell Investments Implementation Services Limited (“RIISL”)

MIFIDPRU Disclosure

Risk Management Objectives and Policies

June 2023

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1. Introduction

1.1. Background

The Investment Firms Prudential Regime ("IFPR") sets out requirements for investment firms to disclose additional information relating to their risk management approach on the basis of the harm that Russell Investments Implementation Services Limited (the "Company" or "RIISL") may pose to itself, its clients and the markets it operates in from both its ongoing business operations and those that may arise from winding down its business. This supports effective market discipline and facilitates constructive engagement by all stakeholders.

This information is known as RIISL's "MIFIDPRU Risk Management Objectives and Policies Disclosures" and is intended to contain an overview of the company's risk management objectives, policies and processes for managing material risks identified through the course of assessing RIISL's own fund requirements (MIFIDPRU 4), concentration risk (MIFIDPRU 5) and liquidity risk (MIFIDPRU 6) as at 31 December 2022.

1.2. Scope of application

This document provides RIISL's required annual disclosures on risk management, fulfilling the Company's obligation under MIFIDPRU 8 in the FCA's Prudential Source book for MIFID Investment Firms.

The Company has been classified as a Non-Small Non-Interconnected (Non-SNI) firm. The MIFIDPRU disclosures set out in this document are provided solely in respect of RIISL.

The Company has considered whether it requires further classification under requirement of SYSC 19G (MIFIDPRU Remuneration Code) and has concluded that this is not applicable.

1.3. Frequency of disclosure

This disclosure is subject to review and update at least annually. RIISL will reassess the need to publish some or all disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital and liquidity resources and adequacy, and information about risk exposure and other items prone to rapid change.

1.4. Board approval

This disclosure was approved for publication by the RIISL Board on 20 July 2023. The Board has verified that the disclosures are consistent with formal policies and are satisfied with the adequacy and effectiveness of the risk management arrangements.

1.5. Company description

Russell Investments Implementation Services Limited (RIISL)[1] is an investment firm which has Russell Investments Systems Limited (RISL) as its parents. RISL is a United Kingdom holding company and is unregulated. RIISL provides implementation services which include transition management and the execution of certain trading strategies.

RISL is wholly owned by Russell Investments Group Limited ("RIGL"), a Cayman Islands registered company.

The ownership structure of RIGL is as follows:

- Limited partners of private equity funds affiliated with TA Associates Management, L.P. hold a majority ownership interest.
- The limited partners of certain private equity funds affiliated with Reverence Capital Partners, L.P. hold a significant minority ownership interest.
- Russell Investments associates, former associates and one independent director hold minority ownership interests[2].
- Hamilton Lane Advisors, LLC hold minority ownership interests.

[1] FCA ref. 415353, MIFIDPRU Firm
[2] No single individual holds more than 10% ownership interest in RIGL

2. Governance

2.1. Board Composition

The Board is composed of individuals with a range of experience covering asset management, risk, regulatory, finance and accounting which complement each other and will ensure good governance and appropriately robust oversight of the business of the Company.

2.2. Board Governance

- The Board generally meets at least quarterly in the UK to oversee the general management and conduct of all aspects of the Company's business. In addition to the scheduled quarterly board meetings, ad hoc meetings are held from time to time. Ad-hoc meetings are held to approve financial statements and to address exceptional items arising between quarterly meetings.
- The quorum for meetings of the Board is fixed by the Board in accordance with the Constitution and unless so fixed at any other number shall be two.
- The Constitution of the Company outlines which parties may convene meetings of the Board and the relevant notice requirements.
- The company secretary of the Company is required to attend all meetings of the Board and record minutes of all such meetings.
- David Rae has been appointed as director and chairperson of the Company and presides at board meetings (unless the members of the Board who are present choose another Director to chair the meeting).
- The Board is organised in a way that no one person can decide on the direction of the Company without the endorsement of another.

2.3. Obligations of each Director

The Board expects that each Director (i) will be available to attend the quarterly Board meetings and any additional Board meetings which may be required from time to time to deal with items at short notice and (ii) will ensure that he or she has sufficient time to devote to the role of Director together with all the associated responsibilities (including but not limited to consideration of all relevant papers in advance of each meeting).

Each Director is aware of the relevant policies and procedures for the proper discharge of their responsibilities.

2.4. Role of the Board

The Board has ultimate control of the activities of the Company and is responsible for providing strategic guidance for the Company, effective oversight of management and the supervision of its affairs including in relation to all material decisions affecting the operation and conduct of the business of the Company. The responsibilities of the Board include:

- Oversight of the Company, including its control and accountability systems.

- Monitoring compliance with statutory and regulatory requirements.
- Reviewing and ratifying systems of risk management and internal compliance and control.
- Approval of financial statements of the Company and the Directors' report.
- Monitoring Senior Manager performance.
- Approval of key strategic decisions.

2.5. Committees of the Company

Each committee is governed by terms of reference which set out (i) the responsibilities and obligations of the committee, (ii) decision-making processes and (iii) any reporting obligations.

Securities Valuation Committee

Reports to the Board. Responsible for producing fair price and/ or valuation for fund units and protecting clients by establishing and following consistent process to ensure prices are calculated fairly and regularly.

Investment Committee

Reports to the Board. Reviews and evaluates all issues related to investment risk with respect to funds and segregated accounts, including appointment and termination of Money Managers and compliance with relevant investment policies and objectives.

Product Governance Committee

Reports to the Board. Responsible for various product development and management including: (i) setting strategy for the development, management and distribution of products and investment Services in the EMEA region; (ii) setting and implementing the minimum standards and processes for the governance of new products and investment services; and/or significant adaptations of existing mandates; (iii) acting as the governance body responsible for establishing and implementing an adequate product control framework for the business; (iv) reviewing the requirements of the product governance requirements in the FCA Handbook; and (v) considering the onboarding of new intermediaries, capturing existing intermediary renewals and the intermediary tiering status.

2.6. Key Global Committees

Trade Management Oversight Committee

A global committee which provides reporting to the Investment Committee. Provides oversight of the activities of the trading groups within the Group. Its primary focuses include: review of trade execution quality data to ensure service standards are met, review and assessment of correspondent relationships for the Group's trading groups, review and assessment of industry matters within its scope of responsibility, review of trading outcomes to validate policies and ensure standards are met.

Affiliated Business Oversight Committee

A global committee which provides reporting to the Investment Committee. Responsible for overseeing the Group's selection and usage of entities for investment advisory, brokerage or other services. Its primary focuses include: (i) reviewing the selection, implementation and oversight of services provided to the Company and ensuring it is consistent with applicable law and regulatory requirements, applicable investment objectives and restrictions; (ii) reviewing the performance and terms (including pricing) of the services provided by the Company’s affiliates and ensuring they are comparable or superior, on average over reasonable periods, to services that could reasonably be received from non-affiliates; (iii) reviewing and establishing commission rates charged to the Company by its affiliates where applicable.

3. Risk Management Objectives and Policies

3.1. Global Risk Management Program

Russell Investments operates an independent risk management program through an organizational unit called "Global Risk Management" or "GRM." Consistent with best practices and regulatory requirements, GRM is independent from both manufacturing and go-to-market functions.

Rationale

Key reasons for operating an independent enterprise risk management function include:

Required: Multiple regulatory regimes require, and all expect a robust independent risk management program.

Commercial Appeal: Clients increasingly expect a robust and independent risk management capability. Having this capability positions us to better retain existing clients and to more aggressively attract prospects. In addition, GRM's thought leadership and capabilities have been routinely leveraged for client purposes.

Enterprise & Aggregate Perspectives: An enterprise perspective is needed because risks are seldom isolated to one business unit of function. With its organizational positioning, sophisticated tools and experienced associates, GRM is uniquely positioned to provide a risk perspective for the enterprise as well as other meaningful aggregations. It is ultimately this "portfolio of risks" and their interaction with each other that is most relevant to the institution.

Objective Assessment: There are always innate conflicts which impede the objective identification and evaluation of risks. An independent and capable risk function helps mitigate these conflicts in both substance and appearance.

Specialization: Risk is a specialized and technical function which must be resourced and focused accordingly.

Protective Effects: An independent risk function and the materials generated as part of that process can diminish the adverse effects of "attacks" that inevitably befall organizations.

Enterprise Results: An effective enterprise risk management capability skews firm results in a positive direction by helping to avoid or mitigate risks as well as exploiting promising opportunities.

3.2. Risk Management Framework

GRM's basic framework of "identify, measure, monitor and communicate" is outlined in diagram 1 along with the supporting concepts of "integration, insight and challenge." Other important elements in GRM's risk framework include:

Risk Measurement: Multiple risk measurements are required in most instances to get a proper "read" on risks.

Five Lines of Defense: Russell Investments has adopted a "five lines of defense" protocol to reinforce each associate's role in the risk management process. Diagram 2 outlines this protocol.

Risk Governance: GRM has implemented a risk governance structure which has been integrated into other Russell Investments governance structures. Diagram 3 shows the basic components of this structure.

Risk Appetite: The idea of a risk appetite must be considered from multiple perspectives because some risks are borne by Russell Investments and others by its clients. The key dimensions of our approach to risk appetites being principal versus agency risk and buy versus sell side exposures.

Risk Assessment: GRM conducts formal assessments via its annual Enterprise Risk Assessment and targeted risk reviews throughout the year, as necessary. Informal assessments occur continuously. These assessments are used for multiple purposes such as escalation when appropriate, development of remediation plans, and input into the annual audit plan.

Organization & Specialization: GRM's organization includes three specialized risk teams: credit, investment/market and operational risk. The Ops Risk team is also responsible for the insurance program and business continuity. The functional teams are supported by several regional associates.

Diagram 1: Risk Management Framework

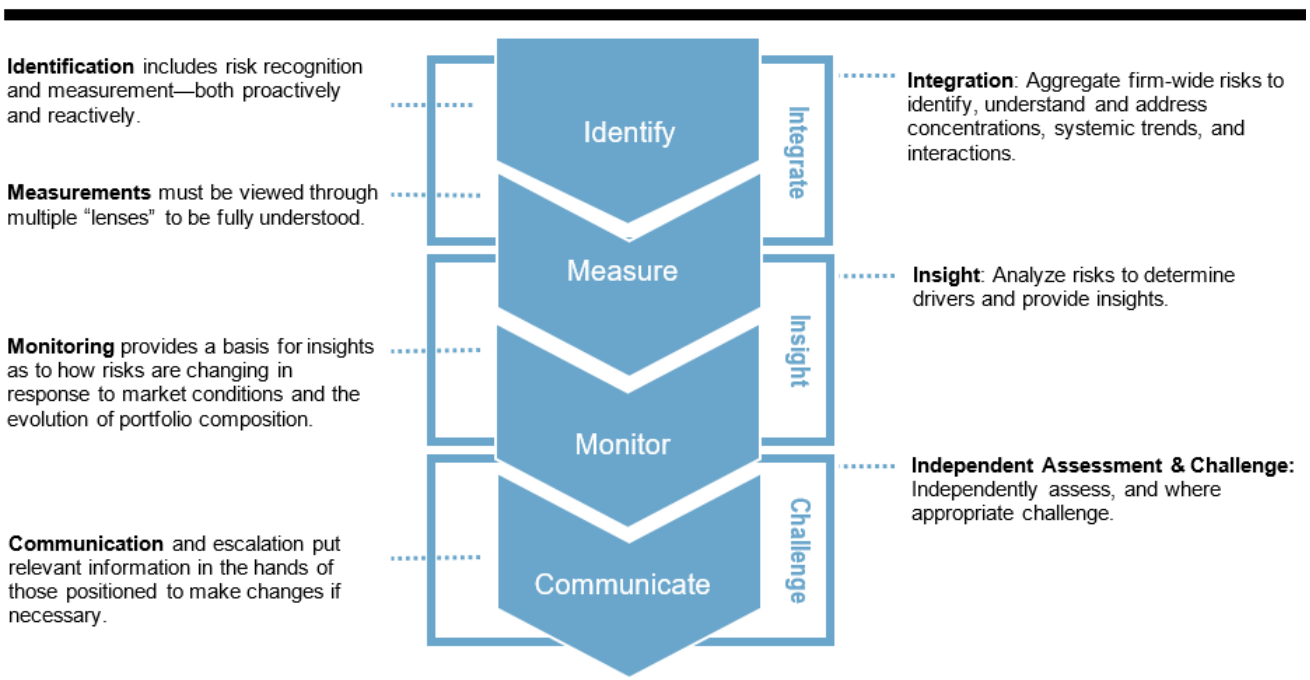

Diagram 2: Five Lines of Defense

5	**Boards**	**Oversight** **Boards of Directors** oversee the firm-wide risk appetite, including strategic alignment, and holds management accountable for managing the firm in a manner consistent with its risk appetite.
4	**Executive Management**	**Strategy, appetite, and culture** **Executive management** determines the risk appetite and aligns it with firm strategies and client expectations. Establishes the "tone at the top" by reinforcing the need to conduct business in a way where risks are deliberately considered and actively managed and by providing resources for risk, compliance, and control functions.
3	**Internal Audit**	**Assurance** **Internal Audit** provides independent and objective assurance (testing and review) regarding the design and effectiveness of internal controls.
2	**Global Risk Management**	**Independence and oversight** **Global Risk Management (GRM)** assesses and oversees risk at the firm level employing a risk-based approach with focus on the firm's key risks. Develops and maintains risk frameworks including firm-wide risk policies. Monitors the risk culture set by the Board/Executive Management.
	Compliance	**Compliance** maintains the company's compliance program and is responsible for helping business units understand their responsibility for complying with the relevant laws, regulations, and Russell policies applicable to our business. Provides oversight, advice, review and testing in support of our compliance program.
1	**Business Units**	**Manage risks** **Business Units**, including portfolio management, identify and manage risks, including compliance, for their business or function that could threaten the achievement of business unit or firm objectives. Includes establishing and maintaining processes and controls.

Diagram 3: Corporate Governance

3.3. EMEA Risk Management Governance

The board of directors of the Company has delegated certain duties and responsibilities to the EMEA Risk Management Committee ("ERMC"). The ERMC receives mandate from the Global Risk Management Committee ("GRMC") to assist RIISL executive management in the oversight of the risks in the Company.

The ERMC, acting in its oversight capacity, is authorized and directed to review, evaluate, monitor, and oversee operational risks for the Company. Although its primary focus is oversight of operational risk, the ERMC is also authorized to review and escalate investment and credit risks to the Investment Risk Committee ("IRC") and the Credit Risk Committee ("CRC"). For items not covered by functional risk committees (i.e. Operational Risk Committee ("ORC"), IRC and CRC), the ERMC is authorized to report to the GRMC and the EMEA Executive Group ("EEG"). The ERMC also reports on all items covered by its remit to the Company.

The roles and responsibilities of the ERMC are set forth in the Terms of Reference of the committee**.**

3.4. Operational Risk Governance

Russell Investments maintains an Operational Risk Committee which is a subcommittee of the Global Risk Management Committee. Chaired by the Director of Global Operational Risk, the Operational Risk Committee is responsible for the oversight of operational risks inherent in Russell Investments' global businesses and legal entities, including people, process, technology, vendor, regulatory and reputational risks. The Operational Risk Committee and regional risk committees assist the Global Risk Management Committee in its oversight of Russell Investments' operational risk governance structure, operational risk management framework and policies, and operational risk tolerances and limits.

3.5. Operational Risk Management

Operational Risk Management ("ORM") focuses on identifying, assessing and monitoring operational risks. ORM deploys multiple tools and methods to identify, assess and respond to operational risks. The operational risk framework is based on ISO 31000, an international risk standard.

Russell Investments operates a multi-element risk identification approach which operates on the premise that the recognition and measurement of risk needs to occur on both a proactive and reactive basis. Russell Investments' long-standing formal escalation protocol promotes timely communication to senior management, facilitating changes, for example, enhancements to controls, to be made where necessary. Russell Investments employs a disciplined event capture approach with results reported through the risk governance structure. A key focus of the event management program is helping assure management's remediation plans are directed to addressing root causes, rather than treating symptoms, to reduce the likelihood and impact of recurrence. Ongoing monitoring as well as targeted risk reviews and risk profiling provide a basis for insights as to how risks are changing in response to market conditions and evolution of strategy and portfolio composition.

Operational Risk Management is a foundational part of broader enterprise risk management framework and includes the following:

- Emphasis on the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- Independent, Russell Investments-wide perspective on operational risk exposure across products and businesses.
- Multiple risk measurements, including loss event metrics, key risk indicators, scenarios, risk capital modeling, etc.
- Consideration of risk aggregation and correlation (e.g., vendor error can have financial, regulatory and reputational impacts).
- Emphasis on mitigation of known risks.
- Includes robust contingency planning (business continuity, exercises, insurance, etc.).
- Consistency with industry practice and regulator/client expectations/requirements.

3.6. The ICARA Process

ICARA is a process of ongoing identification, monitoring and mitigation of the harms that a firm may pose to itself, its clients and the markets it operates in from both its ongoing business operations and those that may arise from winding down its business. It is also intended to identify the amounts and spread of types of capital and liquid assets considered adequate to cover unmitigated harms that RIISL may cause itself, its clients, and the markets it operates in. RIISL is required to complete an ICARA at least on an annual basis.

Outputs from these activities support RIISL's assessment of the adequacy of its capital and liquidity. The ICARA is used within the business to support decision-making processes, identify potential risk exposures and implement appropriate mitigants. Interim reviews will be undertaken should business plans or significant re-positioning of the RIISL business model or activities require it.

The ICARA process includes:

- Considering and assessing the key risks as recorded through use of the RIISL's risk registers and identified in the strategic planning process.
- Determining appropriate scenarios and the key harms to determine which harms could cause RIISL to incur losses within that stressed scenario, and project capital and liquidity requirements to identify the maximum capital impacts.
- Identifying credible management actions that could be taken to mitigate the stress impacts and the capital and liquidity requirements that may arise in the scenario after such actions.
- Determining the capital and liquidity required should RIISL face such an event that would lead to its orderly wind down.

3.7. Business Strategy and Risk Appetite Statement

As part of the strategic planning process, the ICARA process is utilized and aligned with the strategic plan to support the understanding of the amount of capital and liquidity required to aid the objectives within the strategic plan on a forward-looking basis.

The risk appetite statement is an expression of how much risk the Company is willing to take. Some risks must be taken, but these should be managed to prevent unnecessary risk taking such as outsourcing business activities or dealing with counterparties. Other risks must be avoided such as harm to clients or compliance with regulation.

RIISL has implemented a risk appetite statement. The risk appetite statement sets the boundary for risk taking activity and is defined by qualitative principles. It provides the Board, management and other stakeholders with a clear understanding of the acceptable risk limits within which RIISL must operate when executing its business operations. The Company's management is responsible for ensuring that employees conduct business activities within the tolerances specified in the risk appetite statement.

The Company's Board has the ultimate responsibility for the development of appropriate strategies, systems, and controls for the management of risks within the business. The risk appetite statement is reviewed at least annually, or more often as deemed appropriate, as part of the ICARA review process and approved by the Board.

3.8. Identification of new and emerging risks, and monitoring of existing risks

The monitoring of existing risks and identification of new and emerging risks is considered in a range of ways, including:

- Formal senior management and governance meetings.
- Through ongoing incident management and reporting.
- The Risk and Control Self-Assessments.
- Ad hoc Risk, Compliance and/or Internal Audit reviews.
- Regular monitoring of external risk and regulatory landscapes.
- RIISL's risk culture whereby managers and staff are encouraged to report to the Risk Management function any change to a risk or any new or emerging risks.

4. Key Harms and Risks

MIFIDPRU 8.2.1 requires RIISL to disclose its risk management objectives and policies for the categories of risk addressed by:

1. MIFIDPRU 4 – Own funds requirements
2. MIFIDPRU 5 – Concentration risk
3. MIFIDPRU 6 – Liquidity risk

4.1. Key Harms and Risks identified within MIFIDPRU 4 – Own funds requirements

RIISL has identified and assessed the following categories of risk within its assessment of own funds requirements:

Operational errors

Material regulatory breach

Failure of critical service provider

Failure of business continuity and disaster recovery plans

Systems or technology disruption or failure

Information security, data protection and/or cyber security breach

Internal or external fraud

Legal claims

Loss of clients/AUM

Market downturn

People risk

4.2. Key Harms and Risks identified within MIFIDPRU 5 – Concentration Risk

Concentration risk is any single or group of exposures that may have the potential to produce losses large enough to threaten the company's health or ability to maintain its core business. This includes large (connected) individual exposures or significant exposures to groups of counterparties, whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location and instrument type. Concentration risk carries the potential to cause harm to RIISL, and should the exit of key clients occur, it could also cause harm to its remaining clients.

The key source of this risk for RIISL is credit concentration relating to bank deposits. This risk is managed through limiting bank deposits to high quality credit institutions. RIISL has also assessed that should the bank counterparty fail, the level of readily available core assets from other sources means that RIISL would retain sufficient liquidity to meet its obligations as they fall due.

4.3. Key Harms and Risks identified within MIFIDPRU 6 –Liquidity Risk

This represents the risk that adequate liquid funds are not available to settle liabilities as they fall due or when the Company experiences sudden unexpected cash outflows. This may cause harm to RIISL. The majority of RIISL's assets are held in high quality, highly liquid, short-dated cash instruments and hence there is limited liquidity risk exposure.

Cash inflows from fee income from clients less cash outflows from fees payable to RIISL's vendors and other expenses are ordinaRIISLy net positive. The only significant seasonal variation is the payment of a dividend to the parent company, which would not be paid in the event of any liquidity stress.

The Company's liquidity position versus is liquidity requirement is reported to the Board annually.