

# **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 Buy & Maintain Credit Fund [2026-2030] (the “Fund”)**

**Legal entity identifier: 5493000NVDCPNKUS3S62**

**Date of review: 27 November 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 across investee issuers in line with a net zero glidepath, as well as the exclusion of companies with qualifying involvement in thermal coal, controversial weapons and tobacco. The Fund will select and/or exchange the corporate bonds and fixed income securities held by the Fund, as necessary, to ensure these goals are achieved.

It is expected that at all times 100% of the Fund's assets will be invested in corporate bonds and fixed income securities, all of which will be subject to the binding elements of the Fund's investment strategy used to attain the environmental and social characteristics promoted by the Fund.

The Fund's environmental and social indicators are monitored on an ongoing basis. A third party data vendor, along with publicly available information, are used by the Principal Money Manager (or its delegate) for the purpose of monitoring the environmental indicators. 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, estimation 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 the following environmental and social characteristics:

- Reduction in carbon emissions across investee issuers in line with a net zero glidepath (“Net Zero Glidepath”)
- Exclusion of companies with qualifying involvement in thermal coal, controversial weapons and tobacco (“Excluded Companies”).

The Fund is actively managed without reference to an index for performance measurement purposes or for the purpose of attaining the environmental or social characteristics promoted by the Fund.

## Investment strategy

The Fund will pursue an investment strategy characterised by a tendency towards maintaining positions until maturity, with a view to providing certainty over cashflows. Securities selected will generally be expected to provide income when maintained over time and upon maturity will be expected to repay the principal amount underlying the bond or fixed income security. Maintaining securities involves selecting, monitoring and exchanging the securities, where necessary, to provide a high likelihood of interest and principal payment. The Principal Money Manager (or its delegate) will monitor the portfolio for any material increase in the probability of default by any of its holdings and will trade such securities out of the Fund if a material default risk is identified. In addition, the Principal Money Manager (or its delegate) will monitor the environmental and social targets of the Fund (as described below in the section entitled “Monitoring of environmental or social characteristics”) and will select and/or exchange the bonds and fixed income securities held by the Fund, as necessary, to ensure the targets are achieved. The environmental and social targets of the Fund are not expected to have a material impact on the Fund’s strategy of maintaining positions, as the bonds and fixed income securities held by the Fund will be selected with the expectation that they will be aligned with the Fund’s targets until their maturity.

### Good Governance

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

The Principal Money Manager utilises the services of a third-party data provider to assist it in identifying companies which are aligned to the United Nations Global Compact Principles (“**UNGC Principles**”). These companies are deemed by the Principal Money Manager as having good governance practices and are therefore investable by the Fund. An assessment of UNGC Principle alignment includes a holistic assessment of core metrics for measuring a company’s governance practices, including company responsibility, labour relations, company management and the severity of impacts on stakeholders and/or the environment. Companies deemed to not be aligned with the UNGC Principles are placed on an exclusions list for the Fund (subject to the exception below), which is updated quarterly.

If a company is identified by the third-party data provider as not being aligned with the UNGC Principles, the company may still be investable by the Fund, if the Principal Money Manager determines that it does in fact follow good governance practices despite this UNGC Principle assessment. In order to reach this conclusion, the Principal Money Manager shall carry out its own further analysis of the company’s governance practices. This additional layer of analysis is undertaken based on advice from the Money Manger(s) (as relevant) or the Principal Money Manager’s own research or insights, supplemental to the research provided by the third-party provider for assessing governance. This review will include an assessment of the company’s labour practices, management structure and tax compliance. Following this review, the Principal Money Manager may determine, by recommendation from its investment and responsible investing teams and by approval of the relevant governance body, that the company does in fact demonstrate good governance practices. Only after such a determination is made, can the company form part of the portfolio in the Fund. This review of a company by the Principal Money Manager is overseen and managed by the Principal Money Manager’s Global Exclusions Committee.

If a company already held by the Fund is identified as having breached a UNGC Principle by the third-party data provider, during a quarterly update to the Fund’s exclusions list, the Principal Money Manager may undertake the further analysis outlined above to determine whether, in its view, the company follows good governance practices. If no such determination is made before the next quarterly update to the Fund’s exclusions list, the relevant company will be added to the exclusions list.

## Proportion of investments

It is expected that at all times 100% of the Fund's assets will be invested in corporate bonds or fixed income securities, all of which will be subject to the binding elements of the Fund's investment strategy used to attain the environmental characteristics promoted by the Fund.

Other investments of the Fund which may be used from time to time 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, cash equivalents and Short-Term Instruments for liquidity management purpose.
- Futures contracts may be used to hedge interest rate risk;
- Forward contracts may be used to hedge currency risk;
- Swaps (including currency swaps, interest rate swaps and basis swaps) may be used for hedge currency or interest rate risk; and
- Credit derivatives may be used to isolate and transfer the exposure to or transfer the credit risk associated with a reference asset or index of reference assets.

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 Principal Money Manager has internal control mechanisms in place to accommodate ongoing and frequent monitoring of the Fund's sustainability indicators.

The portfolio management team of the Principal Money Manager monitors the Fund's carbon emissions continuously using analytics captured in the portfolio management system. The portfolio management team identifies high carbon emitters at the individual security level in the portfolio and may engage with underlying Money Manager(s) regarding the validity of the roles such securities play in the Fund.

Fund exclusions are coded into the Principal Money Manager's trade order management system. If a Money Manager is 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 Manager(s) 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: Net Zero Glidepath

*Indicator 1: Carbon Emissions Reduction: 2026 Target.*

By 1 January 2026, the Fund aims to achieve a weighted average carbon dioxide equivalent emissions reduction of at least 34% (scope 1 and 2 emissions) versus the Baseline Emissions.

*Indicator 2: Carbon Emissions Reduction: 2027 Target.*

By 1 January 2027, the Fund aims to achieve a weighted average carbon dioxide equivalent emissions reduction of at least 38% (scope 1 and 2 emissions) versus the Baseline Emissions.

*Indicator 3: Carbon Emissions Reduction: 2028 Target.*

By 1 January 2028, the Fund aims to achieve a weighted average carbon dioxide equivalent emissions reduction of at least 42% (scope 1 and 2 emissions) versus the Baseline Emissions.

*Indicator 4: Carbon Emissions Reduction: 2029 Target.*

By 1 January 2029, the Fund aims to achieve a weighted average carbon dioxide equivalent emissions reduction of at least 46% (scope 1 and 2 emissions) versus the Baseline Emissions.

*Indicator 5: Carbon Emissions Reduction: 2030 Target.*

By 1 January 2030, the Fund aims to achieve a weighted average carbon dioxide equivalent emissions reduction of at least 50% (scope 1 and 2 emissions) versus the Baseline Emissions.

‘Baseline Emissions’ means the weighted average carbon dioxide equivalent emissions of the bond universe of the ICE BofA Global Corporate Index (GOBC) , as at 31 December 2019. Carbon emissions at the security level means scope 1 and scope 2 carbon dioxide equivalent emissions (CO<sub>2</sub>e) divided by firm revenue (USD).

“Scope 1” means emissions from activities owned or controlled by an organisation that release emissions straight into the atmosphere.

“Scope 2” means emissions 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.

Note, the Fund may hold a limited number of sovereign bond investments from time to time, which will not form part of the carbon emissions calculations due to a lack of available carbon emissions data on such securities.

### Characteristic: Exclusion of companies with involvement in thermal coal, controversial weapons and tobacco.

*Indicator 6: No Fund holdings in Excluded Companies.*

Excluded Companies means:

<b>Company Activity</b>	<b>Criteria for determining ‘involvement’ in excluded activities</b>
Thermal Coal	Companies which derive more than 10% of their revenue from coal power generation or thermal coal production <u>except</u> 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% of their revenue from coal power generation or thermal coal production.
Controversial Weapons	‘Controversial Weapons’ means cluster munitions and anti-personnel mines.





A company is excluded if, as it relates to Controversial Weapons: (i) it is involved in the core weapon system, or components or services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon; (ii) or the company is more than 20% owned by a company meeting the above criteria. No revenue threshold is used for this exclusion.

Tobacco

Excluded if this activity contributes more than 10% to company revenue.

## 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 emissions data is currently sourced from MSCI ESG Research Inc. UNGC Principle alignment data is sourced from Sustainalytics.

Prior to using data as part of the 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 emissions 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 emissions 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 carbon emissions reduction targets 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 emissions value 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 emissions 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 emissions imputation, which helps to ensure there are no inconsistencies among estimation methodologies within each respective dataset.

In addition, carbon emissions data coverage for corporate debt or fixed income securities issued by privately-held companies can be limited. The Principal Money Manager works with data providers and the Money Manager(s) to continue to seek an expansion of coverage in this area.

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 Principal Money Manager or the Money Manager(s) selected by the Principal Money Manager to manage assets of the Fund. 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 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.

## **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.