

Responsible Investing

Actively designing solutions for the future



OUR APPROACH

Not all responsible investment solutions are created equal

Different organisations define 'responsible investment' in different ways, creating considerable confusion in the market. Whether you are targeting responsible investment to align with stakeholder values, mitigate risk or comply with regulation, you want to choose a solution with real integrity and impact.

At Russell Investments, we consider true responsible investing as a long-term approach that accounts for a wide range of complex environmental, social and governance (ESG) factors.

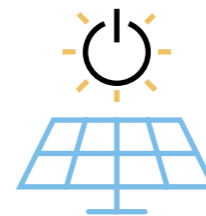
We believe that responsible investing and performance can be complementary. Our responsible investment solutions aim to capture the right exposure without jeopardising returns.



Our responsible investing solutions will help you to:



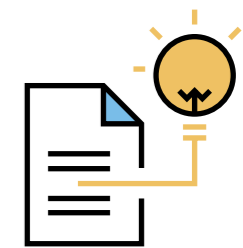
Invest in what matters to you with a team that deploys a robust, integrated process and draws on a deep knowledge of how ESG factors impact security returns. Ensure your investments are not unknowingly exposed to the risk of ESG factors such as climate change, undesired controversial products and services, political upheaval or governance issues that can lead to poor outcomes over the long term.



Proactively invest in companies with good governance, transparency and a focus on sustainability.



Generate consistent returns through an investment portfolio designed with your organisation's risk profile in mind.



Provide key stakeholders (including shareholders, customers, unions, lobby groups, and funding bodies) with clear and comprehensive reports, demonstrating where your investments have resulted in positive sustainable practices and solutions.

OUR DIFFERENCE

We bring you a carefully considered and robust approach aligned with your needs

Fully integrated

We believe responsible investing is intelligent investing. As a result, we have embedded responsible investment practices and ESG beliefs within our investment approach. This ensures that all our investment professionals are accountable for considering ESG factors within our funds and investment processes. To support our responsible investment efforts, we have a virtual team of ESG specialists who are situated in offices across the globe. They are dedicated to championing the integration of ESG characteristics, evaluating the latest trends, performing research, and responding to changing client needs as the industry grapples with the complexity of this continually evolving area.

Searching beyond the standard

Our investment approach goes beyond standard exclusions to identify asset characteristics that are most relevant to the individual investment and the overall portfolio. The focus is on exposures that are sustainable as well as material to your organisation's investment goals. This allows clients to both remove unwanted characteristics and proactively support organisations' positive contribution to research, innovation and leading best practices.

For example, within our decarbonisation strategy, we don't just remove all oil and gas companies based on their carbon footprint, but look deeper to understand how these companies support renewable energy. Only then, by understanding the complete picture, do we determine the value of the investment.

Actively looking to the future

As the focus of sustainability best practice shifts over time, we stay committed to adapting our funds to suit the changing global landscape. You can be sure your capital remains invested in the latest sustainability strategies, without continually changing funds.

Innovation in action

- Undertaking research and development to create a new framework that incorporates water data into our investment process.
- The implementation of our proprietary decarbonisation strategy to both global asset allocations and domestic markets.
- Developed and implemented the 'material ESG score', an ESG scoring methodology that focuses on the issues that are material to a company and their profitability based on their industry. The score is informed by metrics identified by the Sustainability Accounting Standards Board (SASB).

OUR BELIEFS

Responsible investing is intelligent investing



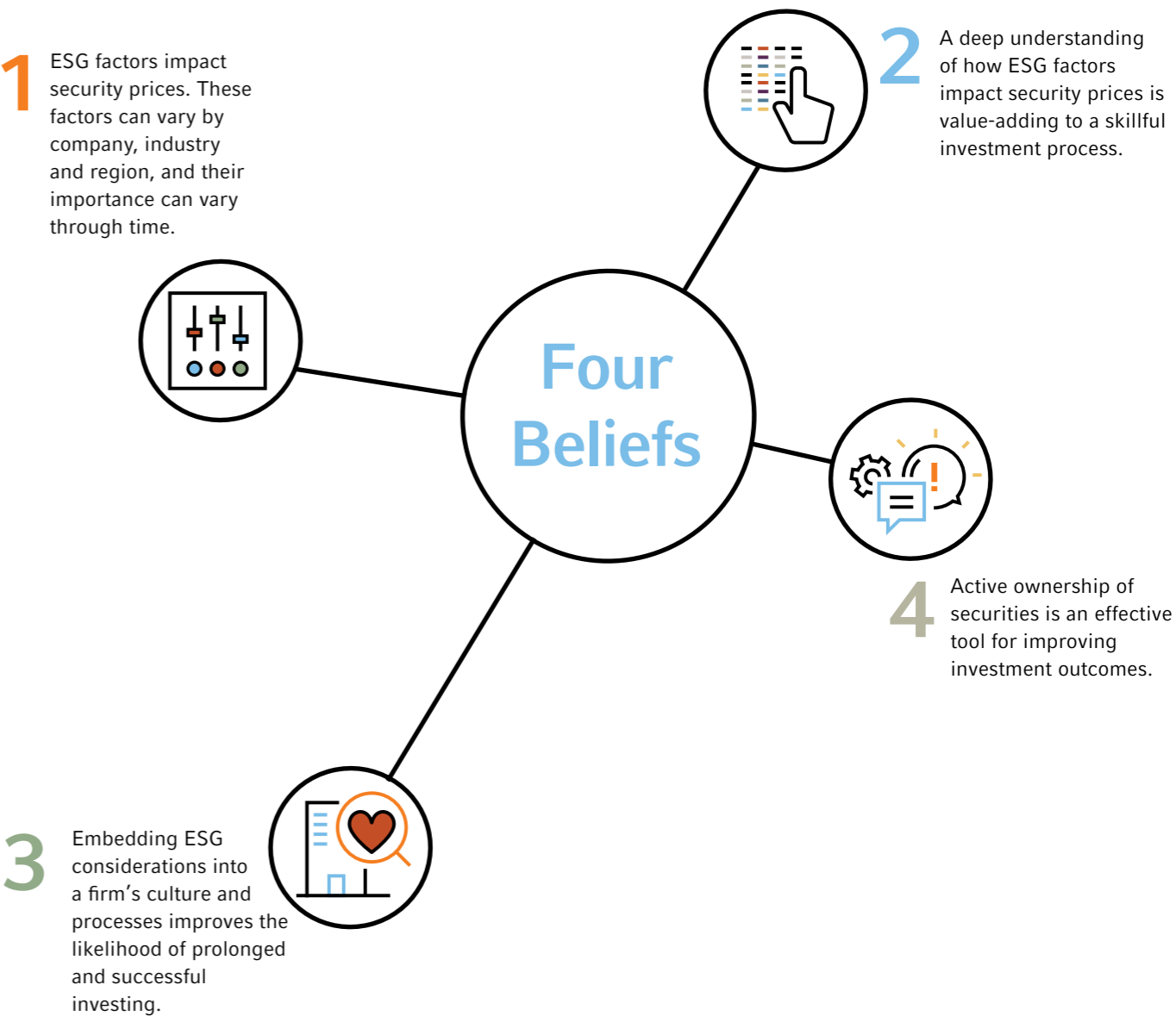
Russell Investments achieves “A” in PRI 2018 Assessment.

Russell Investments recorded an A+ or A for all 11 categories assessed in the United Nations-supported Principles for Responsible Investment (PRI) annual report. This positive assessment captures individual asset classes including: fixed income, private equity, property and infrastructure. The consistent high performance across all asset classes demonstrates the strength of our integrated investment approach.

Launched in April 2006, the PRI is an investor initiative developed in partnership with the United Nations Environment Program Finance Initiative and the United Nations Global Compact. They are global best practices that challenge investors to acknowledge ESG issues.

At Russell Investments we believe that a sound awareness of ESG factors and a robust process can help deliver strong investment returns and meet objectives over the long-term.

To reflect this, we have developed a set of four beliefs upon which our responsible investing practice is founded. These beliefs are as follows.



OUR BELIEFS

Responsible investing practices embedded within all funds

Our responsible investment approach

We earned our A rating from PRI by consistently applying our integrated investment approach through:



Portfolio management process

We research and rank thousands of investment managers on their ability to add value to portfolios. All manager reviews include an assessment of how ESG considerations are incorporated within the investment managers' policy, process, awareness and offering.

We also calculate our funds' ESG and carbon metrics for use by our analysts and portfolio managers.



Insights & research

Our research actively looks towards the future. To understand how best to add long-term value for clients, we evaluate manager products both on an individual basis and an industry basis. We advocate for best practices in specialised products such as low-carbon portfolios, governance-driven strategies, and impact investing.

This helps to continually improve our own product offerings in these areas and offer best-in-class strategies.



Active ownership & engagement

Russell Investments believe voting is a part of a share's value-creation process. We aim to improve the long-term investment outcomes of assets through our active stewardship and voting policy by promoting four core principles: transparency, accountability, independence and long-term value. As stewards, we monitor the effectiveness of company management on an ongoing basis. As share owners, we aim to exert influence on corporate governance, social and environmental practices through our votes.



Industry collaboration

We provide education throughout the year and are involved with advising governments and industry bodies across the world. As part of this we are signatories to the PRI and members of numerous industry associations (refer to Industry Commitments on page 12).

OUR SOLUTIONS

Responsible investment solutions for clients

Russell Investments has been developing investment solutions for our clients for decades, leading us to help clients successfully navigate the industry’s evolving responsible investment agendas.

Solutions developed for clients include:

Thematic investment funds

We have developed strategies to commonly identified investor themes such as decarbonisation, systematic ESG direct investing and impact investing which integrate ESG factors further into the investment process. Funds can be directly accessed or developed to meet our clients’ specific requirements.

Available fund:	
Russell Investments Low Carbon Global Shares Fund	The Fund helps investors to manage climate change risk and the transition to a low carbon economy using our proprietary decarbonisation investment strategy. The Fund provides access to a broad range of global shares in developed and emerging markets, with a 50% reduced exposure to carbon emissions and fossil fuel reserves compared to its benchmark. The Fund goes beyond carbon reduction to positively support companies with a green energy agenda and a higher than average material ESG score.

We work with many of our institutional clients around the world to capture their specific responsible investment requirements within their investment portfolios.

Options available include:



Positive investment

Development of portfolios with more focus on responsible investing, such as tilting to stocks with higher material ESG scores or impact investing.

Material ESG scores

Using our proprietary material ESG score we positively tilt portfolios towards securities with higher material ESG scores, ensuring an industry appropriate comparison.

Impact Investing

Impact investing involves building bespoke portfolios to generate both a positive societal and environment impact, whilst generating financial returns. Examples include provision of affordable healthcare, renewable energy/climate change mitigation and food security. We design, construct and manage impact portfolios for large institutional clients, particularly in private market mandates.



ESG specific strategies

If you are seeking a specific portfolio outcome, our team can work with you to design, construct and manage specific investment strategies such as decarbonisation or social capital to achieve your desired objectives.



Negative screening

Application of negative screens and exclusions to portfolios according to your objectives, e.g. removal of companies involved in manufacture and/or production of weapons, tobacco, cluster ammunitions, gambling and fossil fuels.



Industry commitments



Signatory of:



PRI: Russell Investments became a signatory of the Principles for Responsible Investment (PRI) in 2009.



CDP Climate Change: We have been a signatory of the Carbon Disclosure Project’s climate change program since 2010.



Institutional Investors Group on Climate Change (IIGCC): The IIGCC is the European membership body for investor collaboration on climate change. Russell Investments have been members since 2015.



Investor Group on Climate Change, Australia/ New Zealand (IGCC): As an active member of the IGCC since 2010, we regularly contribute to the discussion on policy initiatives and risk assessment in Australia.



Responsible Investment Association Australasia (RIAA): As well as being an active member of the RIAA, the Russell Investments Australian Responsible Investment ETF and the Russell Investments Low Carbon Global Shares Fund have both received RIAA Responsible Investment Certification.



UK Stewardship code and Japan Stewardship code: Russell Investments is a signatory to the UK Stewardship Code and Japan Stewardship Code. Russell Investments is categorised as a tier one signatory to the UK Stewardship Code.

Find out more

Visit

russellinvestments.co.nz



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