Russell Investments Low Carbon Global Shares Fund

Quarterly update

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Asset owners investing in low carbon strategies

INVESTOR TYPE

> Super funds

> Universities

> Not-for-profit, foundations

> Increasingly retail

RATIONALE FOR INVESTING

> Desire to reduce carbon exposure

> Regulatory pressure (and pressure from stakeholders)

> Desire to work passive style allocations harder

> Cost reduction v more expensive global equity funds

> Positioning assets for the energy transition

> Net zero emissions objectives

Russell Investments Low Carbon Global Shares Fund

Moving beyond divestments and identifying opportunities

DECARBONISATION

- 50% LOWER CARBON FOOTPRINT RELATIVE TO THE BENCHMARK
- 50% LOWER FOSSIL FUEL RESERVES RELATIVE TO THE BENCHMARK
- TARGETED EXCLUSIONS OF COAL REVENUE GENERATING COMPANIES, TOBACCO, NUCLEAR & CONTROVERSIAL WEAPONS

BEYOND CARBON REDUCTION

- INCREASED EXPOSURE TO COMPANIES PARTICIPATING IN THE ENERGY TRANSITION
- INCREASED EXPOSURE TO COMPANIES WITH A HIGH ESG SCORE

OUR APPROACH TARGETS THESE OBJECTIVES WHILE MAINTAINING A TRACKING ERROR OF JUST 0.5% RELATIVE TO THE BENCHMARK

Source: Russell Investments. Benchmark: MSCI ACWI ex Australia Index Net

Fund performance

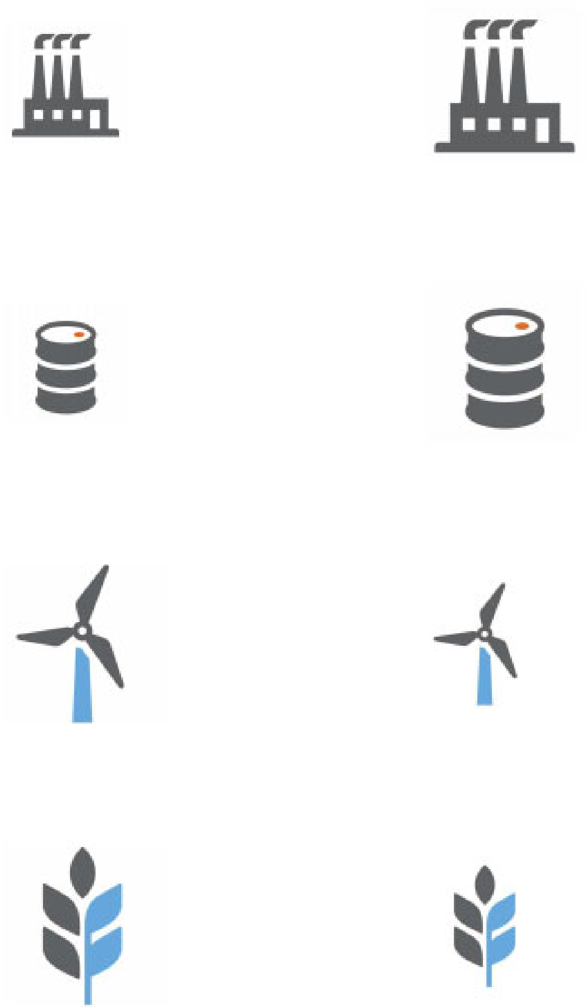
Fund objectives versus benchmark at 31 December 2020

Carbon Emissions*
60% lower

Carbon Reserves**
71% lower

Green energy ratio***
26% higher

ESG Score ~
4% higher



Source: Russell Investments. Benchmark: MSCI ACWI ex Australia Index Net
Key assumptions made in respect of these calculations are shown on p.16 of this document

Performance

Russell Investments Low Carbon Global Shares Fund to 31 December 2020

	1 YEAR	2 YEARS (ANNUALISED)	SINCE INCEPTION (ANNUALISED)
Russell Investments Low Carbon Global Shares Fund	7.98	17.73	12.11
MSCI ACWI ex Aus Index Net	6.04	15.98	11.20
Excess return	1.94	1.75	0.91

Fund size: A$1,017m
Inception date: 10 October 2017

Key highlights (last 12 months):

1. Realised tracking error of 63bp over 1 year and 51bp since inception
2. Negative Carbon tilt – Energy u/w added 37bp, Utilities u/w added 33bp
3. Material ESG – Neste added 18bp, Material ESG score of 8, low carbon emitter within energy
4. Exclusions – Boeing (nuclear weapons) added 13bp, Tobacco exclusion added 13bp
5. Green Energy – Orsted o/w added 11bp, 92% energy from renewables (wind)

Source: Russell Investments.
Past performance is not a reliable indicator of future performance.

Fund update

What has changed in the last 12 months?

- Enhanced our Material ESG scores – open architecture, multiple data providers
  - Captured forward looking metrics
  - Considering the rate of change of carbon emissions
  - Addition of a corporate governance metric
- Reduced exposure to Carbon further – Carbon Emissions now 60% below benchmark[1] and Carbon Reserves are a 71% reduction[2]
- Strong positive cash flows, AUM is now >A$1bn

[1] We define relative carbon emissions as Scope 1 (direct) carbon emissions plus Scope 2 (electricity consumption) carbon emissions measured in metric tons of carbon dioxide equivalent (CO2-e), divided by company revenue (USD).

[2] We refer to relative carbon reserves as the asset relative fossil fuel reserves of a company. Specifically it is defined as: Fossil fuel reserves (m tonnes) divided by total company assets (USD).

The Energy sector

Some huge moves….where next?

> Energy -34% over the last 12 months – the worst performing sector
  > Currently 3.0% benchmark weight
  > Benchmark weight was 5.5% a year ago
  > Key sector for 'ex fossil fuel' strategies

> Paris aligned indices emerging with some common themes to those in our existing strategy – Green revenues, Governance/Management Quality

> Predicted tracking error jumped by 50%+ following Q1 2020 volatility as risk models adjusted, but back to around 50bp now

Source: Bloomberg, Russell Investments, Axioma

Russell Investments Sustainable Global Shares ex Fossil Fuels Fund

Russell Investments

Sustainable Global Shares ex Fossil Fuels Fund

Defining the fossil fuels exclusion

> Remove all stocks with carbon reserves

> Remove all coal stocks (thermal coal, 10% revenue threshold)

> Energy – remove the following GICS sub-sectors:
  > Integrated oil & gas
  > Coal & consumable fuels
  > Oil & gas drilling
  > Oil & gas exploration & production

> Oil & gas revenues (10% revenue threshold) from:
  > Oil & gas exploration, production, refining, transportation and/or storage

Sustainable Global Shares ex Fossil Fuels Fund

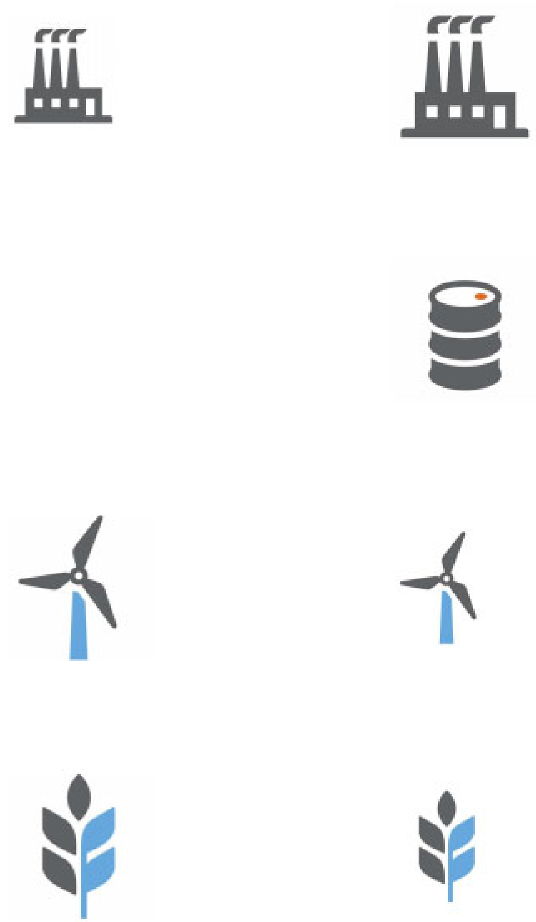
Fund objectives versus benchmark at 31 December 2020

Carbon Emissions* 63% lower

Carbon Reserves 100% lower**

Green Energy Ratio* 51% higher**

ESG Score ~ 5% higher



Source: Russell Investments. The official benchmark for the Russell Investments Sustainable Global Shares ex Fossil Fuels Fund is the MSCI ACWI ex Australia ex Fossil Fuels Index Net but we are showing performance against the MSCI ACWI ex Australia Index Net for the purposes of carbon and ESG metrics.
Key assumptions made in respect of these calculations are shown on p.16 of this document

How do the two funds differ?

Energy sector exposure the key difference

** The Energy sector (and sub-sectors within Energy) are an unconstrained underweight in the Sustainable Global shares ex Fossil Fuels fund. This is required due to the fossil fuel exclusion.

(VS MSCI ACWI EX AU)	SUSTAINABLE GLOBAL SHARES EX FOSSIL FUELS	LOW CARBON GLOBAL SHARES
Asset-level	-60 bps/+25 bps	-50 bps/+25 bps
Sector-level **	-50 bps/+75 bps Ex Energy	-50 bps/+30 bps
Industry-level **	-50 bps/+50 bps Ex Energy	-50 bps/+50 bps
Country-level	+/-20 bps	+/-20 bps

Source: Russell Investments

Carbon research

Russell Investments' education + strategy papers on carbon management

- Paper 1: What are carbon metrics?
  - In depth analysis on what carbon metrics capture, how they are calculated, and the options available for investors when managing low carbon strategies
  - Review of data

- Paper 2: Carbon management implementation options
  - Review of investors options for carbon management strategies
  - Analysis of related considerations, including benchmark choice, active vs passive, emulation vs manager mandates

Collaborative engagements

Two new in partnerships in 2020

SUSTAINALYTICS

We have signed on to 4 **themes** that target 20 companies each. Russell Investments is influencing company selection and actively participating in engagement activities.

Climate transition	Japan	Water management	Future of work
Steel and cement industries face significant emissions challenges but are vital to global infrastructure	Mitigating material ESG risks, particularly governance, can protect shareholder value	Water risk and resource management is a key commercial issue for many companies	Innovative and competitive companies must prioritise human capital

Climate Action 100+
Global Investors Driving Business Transition

We joined the Climate Action 100+, a joint investor initiative to ensure the world's largest greenhouse gas emitters take action on climate change.

Our commitment

A/ A+
Rated by the UN PRI across 10 modules in 2020[1]

2009
Became a UN PRI signatory

94,598
Proxy votes made at 9,547 meetings in 2020

Signatory or member of:

PRI Principles for Responsible Investment

Climate Action 100+ Global Investors Driving Business Transition

IIGCC The Institutional Investors Group on Climate Change

CDP DRIVING SUSTAINABLE ECONOMIES

[1] PRI 2020 Assessment Report

Thank you.

Any questions?

Important information

SLIDE 4 & 10

* We define relative carbon emissions as Scope 1 (direct) carbon emissions plus Scope 2 (electricity consumption) carbon emissions measured in metric tons of carbon dioxide equivalent (CO2-e), divided by company revenue (USD).

** We refer to relative carbon reserves as the asset relative fossil fuel reserves of a company. Specifically it is defined as: Fossil fuel reserves (m tonnes) divided by total company assets (USD).

*** The green energy score calculates the percentage of total energy produced from renewable energy sources. The calculation accounts for energy source classifications of Green, Brown and Grey power generation. With the calculation reflecting the proportion of green power generation divided by total power generation.

˜ The ESG Score is a proprietary calculation drawing on data provided by Sustainalytics and applying the SASB® Materiality MapTM to determine an ESG score based on ESG issues that are considered financially material to a firm's business.

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