

CLIMATE INVESTING POLICY AND APPROACH



MANAGING INVESTMENT RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Policy overview

Russell Investments assesses climate change as a financially material risk, impacting sectors, industries, regions, and asset types over various time horizons. We research, measure, report, and incorporate evaluation of climate-related risks and opportunities into our investment practices, active ownership, and business operations. As stewards of capital, we integrate climate considerations to enhance long-term value creation for our clients.

Russell Investments climate investing approach

Since the signing of The Paris Agreement¹, asset owners, investment managers and regulators have increasingly been acknowledging the importance of climate change to investment risk and return opportunities.

Russell Investments recognizes climate change as a material investment issue and this is reflected in our climate investing approach:

- **Client-centered portfolio alignment:** We engage with clients to understand their financial goals and sustainability priorities, integrating consideration of climate-related risks and opportunities to align portfolios with long-term objectives.
- **Forward-looking investment strategy:** We anticipate structural shifts from policy changes, technology, and consumer trends, selecting and overseeing investment managers who proactively manage climate risks while positioning portfolios for growth.
- **Transparency and accountability:** We provide our clients with clear disclosures on climate exposure and advocate for stronger financial reporting and industry standards.
- **Systemic risk management:** We monitor financial vulnerabilities to climate change, engaging with market participants to mitigate systemic risks and support investment outcomes for our clients.
- **Data-driven decision making:** We apply diverse tools and data analytics to continuously adapt to evolving best practices, regulations, and emerging knowledge to assess and manage climate risks and opportunities.

¹ The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC), dealing with greenhouse-gas-emissions mitigation, adaptation, and finance, signed in 2016. [The Paris Agreement | UNFCCC](#)

Net zero commitment

Russell Investments recognizes that greenhouse gas (GHG) emissions are a key driver of climate change which poses material physical and transition risks to companies, markets, and long-term investment outcomes. In response, we support the global goal of net zero GHG emissions by 2050 and recognize the role of investment strategies in contributing to a timely and orderly transition.

As part of this effort, we are pursuing a range of actions in partnership with clients and the broader investment ecosystem:

- Partner with interested asset owner clients and prospects to establish and achieve decarbonization goals that support their global ambition to reach net zero emissions by 2050 or sooner.
- Set an interim target, guided by client mandates, for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
- Review our interim target at least every five years to reflect evolving practices and changing client needs and preferences.
- Annually disclose the share of AUM managed in line with net zero objectives, including context on investment approaches.
- Maintain a stewardship and engagement strategy that is responsive to client-directed net zero objectives and market developments.
- Engage with market participants, including delegated managers, to support the development of products and services that reflect climate risks and opportunities in line with clients' net zero ambitions.

Targets

As an interim target, Russell Investments aims to align at least 25% of global assets to net zero pathways by 2030, guided by client-led targets, preferences, and investment mandates.

Carbon intensity and financed emissions targets help to align portfolios with a more resilient, low-carbon economy.

Russell Investments uses the PAII's Net Zero Investment Framework (NZIF) to guide the design and implementation of net zero-aligned investment strategies. For portfolios with net zero objectives, we manage to the following interim targets:

- **Asset alignment target:** At least 25% of the portfolio's market value will be invested in companies assessed as aligning to net zero by 2028.
- **Emission reduction target:** Achieve a 50% reduction in the portfolio's carbon emissions intensity relative to the 2019 market baseline by 2030.
- **Engagement target:** Engage with companies responsible for 90% of the portfolio's financed emissions, aiming for them to be either aligned to net zero or actively under direct or collective engagement by 2030.

Progress is monitored through our proprietary Net Zero Dashboard and implemented via fund-specific roadmaps.

Our plan for these funds also includes a phase out of thermal coal by 2030 in OECD countries and by 2040 in the rest of the world.

In addition to these interim targets (which were established in 2022) for our investment portfolios, we have also set a goal of reducing our operational Scope 1 and 2 emissions in line with the global goal of achieving net zero emissions by 2050 or sooner.

Please refer to our latest Climate Report which can be found on our [website](#) to learn more about our progress towards our targets.

Climate change and our business operations

At Russell Investments, we are committed to reducing the environmental impact of our global operations and have set a goal of reducing our operational Scope 1 and 2 emissions in line with the global goal of achieving net zero emissions by 2050 or sooner.

To coordinate and advance these efforts, we established the Global Sustainable Work Practices Council in 2021, chaired by our Chief Operating Officer. The Council's mission is to identify and reduce the firm's environmental impact by embedding sustainability into day-to-day operations. Its key objectives include:

- Advancing our commitment to net zero by 2050 through targeted internal initiatives.
- Providing a structured framework for setting goals, reviewing progress, and monitoring performance.
- Ensuring consistency in sustainable practices across global offices.
- Aligning internal operations with the principles we advocate externally to clients and partners.

The Council is supported by regional groups in North America, EMEA, and APAC, which play a vital role in promoting awareness, organizing engagement activities, and fostering a culture of sustainability within the firm. Examples of the efforts undertaken to improve our overall environmental impact while improving our bottom line with lower costs include:

- **Lowering energy and water consumption:** We maintain a voluntary program to drive energy efficiency and reduce water usage across our global office footprint.
- **Managing waste and materials:** We are committed to reducing and recycling non-hazardous waste.
- **Using recycled materials:** We incorporate recycled materials within our working environment, wherever possible.
- **Promoting paperless environments:** We are introducing electronic supply-chain transactions where possible.
- **Hosting genuinely sustainable corporate events:** Where possible we are using digital materials, offering sustainable food choices, selecting environmentally certified venues, offsetting carbon emissions, and eliminating single-use plastics.
- **Reducing business travel:** Our corporate values acknowledge the importance of stewarding our clients' assets, trust and fees. This stewardship has contributed to a gradual reduction in corporate travel over the last decade which, in turn, reduces our carbon footprint.

Russell Investments reports on its internal sustainability efforts through dedicated climate and sustainability disclosures. To learn more about our most recent initiatives and progress, please refer to our latest Climate Report which can be found on our [website](#).

Industry collaboration and support

Russell Investments has an active role in sustainability and responsible investing through memberships with organizations promoting the inclusion of sustainability in investment processes. We are signatories or members of:



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