

## **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 U.S. Equity Fund**  
(the “Fund”)

**Legal entity identifier: 5TVLNLR0GRSWB37WZ618**

**Date of review: 31 July 2023**

## Sammanfattning

Fonden har klassificerats som en artikel 8-fond enligt disclosureförordningen, vilket innebär att den främjar miljörelaterade och/eller sociala egenskaper. Fonden har inte hållbara investeringar som mål.

Fonden främjar en minskning av koldioxidutsläppen. Den har ett bindande mål för koldioxidminskning, vilket är att minska fondens koldioxidavtryck till minst 20 procent lägre än fondens jämförelseindex.

För att uppnå det här målet tillämpar den huvudsakliga penningförvaltaren en bindande overlay-strategi för dekarbonisering för att justera fondens portfölj efter det ursprungliga urvalet av aktier och aktierelaterade värdepapper i enlighet med fondens placeringsinriktning.

Förväntningen är att minst 90 procent av fondens tillgångar kommer att investeras i aktier eller aktierelaterade värdepapper som alla kommer att vara föremål för de bindande delarna av fondens investeringsstrategi som används för att uppnå de miljörelaterade egenskaper som främjas av fonden.

Fondens miljömål övervakas löpande. En tredjepartsleverantör av data, tillsammans med offentligt tillgänglig information, används av penningförvaltaren för att övervaka miljömålet. Tredjepartsleverantören kan använda uppskattade data om tillräcklig datatäckning saknas för en emittent. När dataleverantören använder uppskattningar baseras dessa på robusta uppskattningsmetoder, men uppskattningar kan ändå leda till att data av sämre kvalitet används för vissa emittenter.

Engagemang ingår inte i produktens miljöstrategi, men den huvudsakliga penningförvaltaren har en engagemangsprocess och kan engagera sig i emittenter i samband med bedömningen av deras praxis för god styrning.

Inget index har valts som referensvärde för att bedöma om fonden är anpassad till de miljörelaterade eller sociala egenskaper som främjas av fonden.

## **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 a reduction in Carbon Emissions (as defined in the section below entitled 'Methodologies for environmental or social characteristics').

The Fund is actively managed with reference to the Russell 1000 Index (the "**Index**"). The Index is a broad market index and is not used by the Fund to attain the environmental characteristics promoted by the Fund.

## Investment strategy

In addition to the definitions set out elsewhere in this document, the following definitions shall apply:

"Decarbonisation Overlay Strategy" means the proprietary quantitative overlay strategy used by the Principal Money Manager in order to identify those securities that will allow the Fund to reduce its carbon exposure compared to the Index.

"Prohibited Coal Companies" means companies which derive more than 10 per cent. of their revenue from coal power generation or thermal coal production except 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 per cent. of their revenue from coal power generation or thermal coal production.

### Decarbonisation Overlay Strategy

Following the selection of the equity securities, in line with the investment objective and policy of the Fund, the Principal Money Manager will apply a binding Decarbonisation Overlay Strategy to adjust the portfolio of the Fund so that it will always have no less than a 20 per cent lower aggregate Carbon Footprint compared to the Index.

The Decarbonisation Overlay Strategy uses quantitative data relating to Carbon Footprint and also involves an assessment of the involvement in the extraction of coal of each constituent of the Index to enable the Principal Money Manager to evaluate the carbon exposure of a particular constituent of the Index. Using the Decarbonisation Overlay Strategy, the Principal Money Manager will seek to reduce the Fund's exposure to companies which engage in carbon-intensive activities or which have a significant Carbon Footprint. The Decarbonisation Overlay Strategy uses a systematic optimisation strategy to: (i) exclude all Prohibited Coal Companies (which are prohibited from being held by the Fund); (ii) evaluate the carbon exposure of investee companies; and (iii) adjust the holdings of the Fund to reduce its aggregate carbon exposure relative to the Index.

The carbon exposure of an investee company (referred to in (ii) above) is evaluated using third-party Carbon Footprint data as well as data relating to the involvement of such company in the extraction of coal. Based on this evaluation, the Decarbonisation Overlay Strategy adjusts the holdings of the Fund to reduce its aggregate carbon exposure relative to the Index.

Non-financial analysis will be undertaken on at least 90% of the equity and equity related securities. This means that when the Principal Money Manager is evaluating the performance of the Fund's non-financial indicator (ie, Carbon Footprint), at least 90% of these securities will be subject to analysis and measurement. It may not be possible to analyse and measure the performance of certain assets, as data (or sufficiently high quality data) may not be available.

The Fund has a binding environmental target which is measured using the objective sustainability indicator (described below). The binding elements of the investment strategy used to achieve this target are set out below:

The Decarbonisation Overlay Strategy is binding and significantly integrated into the analysis undertaken by the Principal Money Manager when making investment decisions in respect of the Fund. The requirement to exclude all Prohibited Coal Companies from investment is binding on the Fund.

Investors should note that the application of the Decarbonisation Overlay Strategy will not necessarily result in a 20 per cent reduction in the aggregate Carbon Footprint of the Fund's portfolio as against the aggregate Carbon

Footprint of the Fund's portfolio prior to the application of the Decarbonisation Overlay Strategy (for these purposes, the latter will be referred to as the "Investable Universe"). The reason for this is that the 20 per cent carbon reduction target is made in reference to the aggregate Carbon Footprint of the Index and not the Fund's Investable Universe. The application of the Decarbonisation Overlay Strategy will nevertheless always result in a reduction in the aggregate Carbon Footprint of the Fund as compared to Investable Universe.

### **Good Governance**

The Principal Money Manager 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 lists 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 Investment Advisers, 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 at least 90% of the Fund's assets will be invested in equities or equity related 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.

The remainder of the Fund's assets and their purposes 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:

Futures contracts will be used to hedge against market risk or gain exposure to an underlying market.

Forward contracts will be used to hedge or gain exposure to an increase in the value of an asset, currency, commodity or deposit.

Options will be used to hedge or achieve exposure to a particular market instead of using a physical security.

Swaps (including swaptions) will be used to achieve profit as well as to hedge existing long positions.

Forward foreign exchange transactions will be used to reduce the risk of adverse market changes in exchange rates or to increase exposure to foreign currencies or to shift exposure to foreign currency fluctuations from one country to another.

Caps and floors will be used to hedge against interest rate movements exceeding given minimum or maximum levels.

Credit derivatives will 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 Carbon Footprint of the Fund and of the Index is monitored on a continuous basis by the Principal Money Manager's portfolio management systems.

The Prohibited Coal Company exclusions are coded into the Principal Money Manager's trade order management system. This serves as a systematic control for the Fund. When individuals authorised to trade on the Fund's behalf generate trade orders, these orders are automatically screened against the coded exclusion list. Any trades in securities on the exclusion list are flagged and halted from moving forward to trade execution. In this way, the Principal Money Manager can apply pre trade controls on the Fund. In addition, the order management system provides end of day/post trade exclusion monitoring, which is monitored by the same dedicated team. Any post trade exclusion 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: Reduction in Carbon Emissions**

*Indicator: Aggregate Carbon Footprint of the Fund portfolio at least 20% lower than the Index.*

The Fund's sustainability indicator is calculated using the same methodology as applied by the Index, as set out below:

“Carbon Footprint” means Carbon Emissions in metric tons of carbon dioxide equivalent (CO<sub>2</sub>-e), divided by company revenue (USD).

“Carbon Emissions” means:

- Scope 1 (direct emissions): activities owned or controlled by an organisation that releases carbon emissions straight into the atmosphere; and
- Scope 2 (energy consumption): carbon emissions being 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.

A 20% lower Carbon Footprint than the Index indicates that the Fund is attaining its environmental characteristic.

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

Prior to using data as part of any 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 Footprint 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 Footprint 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

The primary limitation in the methodology described above for the attainment of the environmental characteristic 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 Footprint value to a company and thus the quality of the data used to measure the indicator 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 Footprint 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 Footprint imputation, which helps to ensure there are no inconsistencies among estimation methodologies within each respective dataset.

Another limitation to the methodology used, is that data provider's ability to deliver data accurately and in a timely manner.

The likelihood of these 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 Investment Advisers based on a range of investment philosophies and research processes. The Principal Money Manager selects the Investment Advisers 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 these Investment Advisers 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. Instead, the environmental strategy reduces the scope of investments by applying the Decarbonisation Overlay Strategy.

## **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.