



2024年

투자 스템어드십 보고서



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A letter from our President and Chief Investment Officer

Dear Stakeholders,

지난 해는 전 세계 인구의 절반 가량이 투표에 참여했을 만큼 각국에서 선거가 치러졌던 해였으며, 당사는 여전히 선거 결과가 각 시장과 고객의 니즈에 미친 파급력에 대응하고 있습니다. 한 가지 분명한 것은 이러한 변화가 실시간으로 시장, 고객의 투자 일임, 자산 배분, 성과 기대치에 직접적인 영향을 미친다는 것입니다. 당국의 규제 동향, 헤드라인 뉴스, 정책, 대중적 정서가 변화되며 투자 환경이 재편되고 있으며, 이러한 변화의 중심에는 지속가능 투자(Sustainable Investing)가 자리하고 있습니다.

Russell Investments는 새로운 시대의 지속가능투자는 각 고객의 고유한 목표에 따라 맞춤형으로 정의될 것이라고 믿습니다. 예전에는 산업군과 표준화된 체계가 필수적인 가이드 역할을 했습니다. 오늘날의 기업들은 더 강력한 데이터, 정교한 방법론, 전담팀을 통해 독립적이고 고객 중심적인 접근 방식을 구축할 수 있습니다. 광범위한 프레임 워크에서 맞춤형 전략으로의 변화는 업계가 지속적으로 진화하는 과정의 일부로 볼 수 있습니다.

또한, 이러한 발전 방향은 고객의 목표를 정확하게 이해하고 이를 달성하기 위해 노력하는 Russell Investments의 가치와도 부합합니다. Russell Investments는 항상 고객의 입장에 서서 지속가능성을 바라보며 환경, 사회, 거버넌스 요인이 각 투자 일임에 있어 어떻게 실질적인 리스크와 기회를 창출하는지에

초점을 맞춰왔습니다. 중대성(materiality)에 대한 이해도가 여전히 근간에 자리하고 있지만, 고객 맞춤화와 혁신은 당사가 고객에게 가치를 제공하는 방식을 좌우합니다. Russell Investments는 각 고객의 지속가능성 선호도에 맞춰 고객의 목표를 실행 가능한 투자 전략으로 전환합니다.

개방형 아키텍처와 동적 구현에 기반한 당사의 '경계 없는 투자(Invest Without Boundaries)' 사고방식은 이러한 접근 방식에 필요한 유연성을 제공합니다. 당사는 독점적인 상품이나 고정된 방법론의 제약 없이 각 고객의 목표에 맞는 미래 지향적인 솔루션을 설계합니다. 고객이 추구하는 것이 체계적 전략이든,

액티브 전략이든, 특정 테마에 대한 익스포저, 공모시장 및 사모시장 전반에 걸친 적절한 균형이든, 당사는 중대성, 통합, 투명성, 스튜어드십이라는 네 가지 핵심 요인을 바탕으로 지속가능투자 솔루션을 구축합니다.

2024년 당사는 이 모델을 통해 진정한 맞춤화를 구현할 수 있는 전략을 개발했습니다.

- **멀티자산 미래 성장 펀드**는 영국 연금 제도를 위해 설계되었으며, 탄소 감축 목표, 적극적 주주권, 지속가능발전목표(SDG)에 부합하는 보고를 통합하는 동시에 SONIA +4.5% 수익을 목표로 합니다.
- **맞춤형 ESG 베타 컴플리션 포트폴리오**는 기존 투자 구조를 방해하지 않으면서 지속가능성 통합을 강화하기 위한 목적에서 복미 재단을 위해 만들어졌습니다.
- **샤리아 준수 투자 솔루션**은 신앙에 기반한 가치와 장기적인 재무 목표를 일치시키기 위한 목적으로 호주의 무슬림 커뮤니티를 위해 개발되었습니다.

자본의 청지기로서 당사는 투자 원칙과 명확성을 바탕으로 변화하는 규제, 시장 상황, 고객 우선순위를 고려합니다. 다른 이들이 불확실성으로 주저하는 곳에서 우리는 기회를 봅니다. 고객이 복잡한 투자 환경에 대응하며 목표를 달성할 수 있도록, 상황에 맞춰 조정 가능하며 미래지향적인 투자 솔루션을 제공한다는 당사의 사명에는 변함이 없습니다.

본 보고서는 당사의 책임 투자 전문가가 작성했으며, President이자 Chief Investment Officer인 Kate El-Hillow와 러셀인베스트먼트 영국 법인의 이사회가 검토하고 승인했습니다.

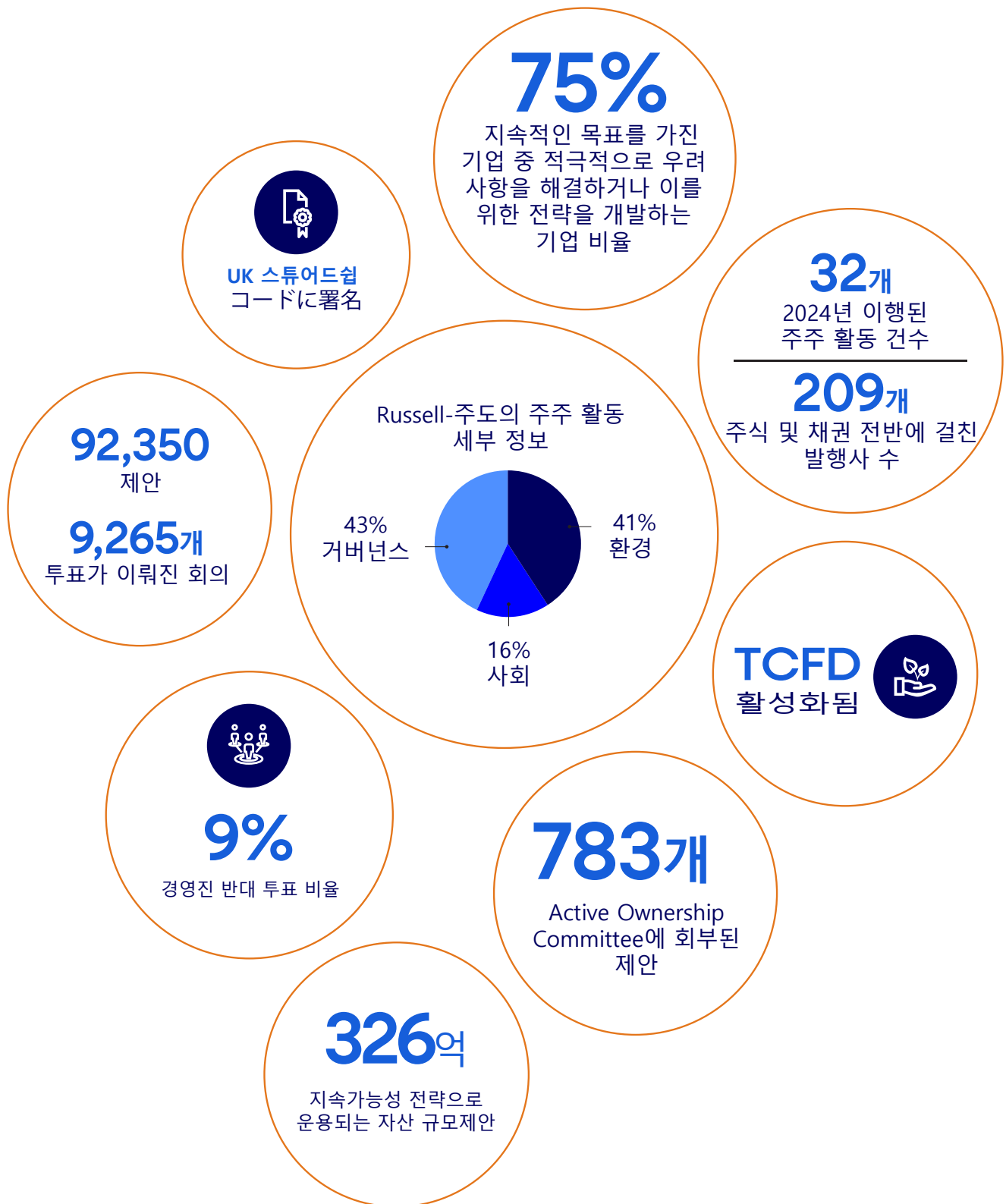
여러분의 지속적인 신뢰와 파트너십에 감사드립니다.



Kate El-Hillow

President and Chief Investment Officer

2024 milestones and highlights



출처: Russell Investments, 별도의 언급이 없는 한 2024년 12월 31일 기준 데이터.

What comes next – looking ahead

고객 자본의 헌신적인 청지기로서 당사는 책임감 있는 투자 역량을 키우기 위해 최선을 다하고 있습니다. 고객의 금융 보안을 강화한다는 상위 목표에 따라 변화하는 시장 상황에 대응하기 위해 모범 실무를 지속적으로 통합하고 개선하고 있습니다. 당사의 전략은 이 중요한 목표에 맞춰 전문성을 갖춘 숙련된 실무자들이 수립합니다.

2025년에도 Russell Investments는 야심차게 투자 업무 전반에 걸쳐 보다 효과적이고 효율적인 책임 투자 운용 방식을 모색하고자 합니다.

지속가능투자 솔루션

당사는 채권, 주식, 공모 및 사모 자산 유형 전반에 걸쳐 지속가능투자 솔루션을 지속적으로 개선하고 있습니다. 올해는 당사의 포트폴리오 탈탄소화 방법론의 최신 버전인 'Decarb 3.0'이 더 광범위하게 채택될 것으로 예상됩니다. 최신 버전은 이전 모델보다 더 총체적이고 세심한 접근방식을 제공하여 고객에게 보다 포괄적인 결과를 제공할 수 있습니다.

지속 가능성 통합

고객의 관심에 힘입어 당사는 채권 및 사모시장 매니저를 위한 실사 작업을 확대했습니다. 당사는 'Hire' 등급에 해당하는 초과 수익을 달성할 매니저 식별을 위해 엄격한 기준을 유지하면서 동시에 지속 가능한 성과와 넷 제로(net zero)에 부합하는 포트폴리오 구성을 제공할 수 있는 추가 전략을 파악하는 데 목표를 두고 있습니다.

기후 리스크 관리

2024년에 수행한 연구를 바탕으로 net zero asset alignment 모델을 보강할 계획입니다. 이러한 노력은 데이터 격차를 해소하고 포트폴리오 포지션을 보다 세밀하게 평가하여 더 나은 정보에 기반한 투자 결정과 포트폴리오 구성을 가능하게 하는 데 초점을 맞추고 있습니다.

적극적인 주주권 행사

당사는 외부 파트너십 확장, 참여 KPI 강화, 팀 규모 확대 등 적극적인 주주권 행사 프로그램을 강화하고 있습니다. 사내 팀이 수행하는 주주권 행사(engagement) 횟수를 늘려 하위 자문인의 통찰력, 포트폴리오 익스포저, 가치 창출 기회 간의 연결 고리를 강화할 계획입니다.

기술

내부 스튜어드십 플랫폼인 ENACT의 대대적인 업그레이드가 진행 중입니다. 이번 업그레이드를 통해 참여도 추적 기능을 강화하고, 추가적인 KPI와 목표를 통합하며, 보다 포괄적인 평가를 위한 동료 평가를 도입할 예정입니다. 또한, 특정 기한 내 참여 활동 결과에 대한 보고를 개선하기 위해 결과 추적 데이터 포인트를 2개 더 추가한 총 15개로 늘렸습니다. 또한, 리서치 효율성을 높이고 보다 영향력 있는 데이터 기반 상호작용을 촉진하기 위해 AI 기반 도구를 활용하고 있습니다.

투명성 및 보고

하위 자문에 대한 추가 보고 요건을 도입하여 고객을 대신해 수행한 대화를 보다 포괄적으로 파악할 수 있도록 지원하고 있습니다. 특히 성과 목표와 함께 지속 가능한 목표를 달성하고자 하는 매니저에게 각별한 주의를 기울이고 있습니다.

교육 및 개발

사내 지식을 발전시키기 위해 변함없는 노력을 기울이고 있습니다. 당사는 교육 기회, 협업, 콘퍼런스 등을 통해 분야별 전문가를 육성하는 데 지속적으로 투자하고 있습니다. 이렇게 확보한 유용한 통찰력을 내부 인력 및 고객과 공유하여 지속적인 학습과 우수성이 강조되는 조직 문화를 조성할 수 있습니다.

본 보고서에는 책임 있는 투자에 대한 당사의 헌신, 그리고 진정성, 혁신, 투명성에 기반해 최고의 고객 서비스를 제공하고자 하는 당사의 노력이 반영되어 있습니다. 앞으로도 이러한 노력을 바탕으로 더욱 발전해 나갈 수 있기를 기대합니다.



1. Russell Investments – Who we are

☑ **UK Stewardship Code – Principle 1**

☑ **Japan Principles for Responsible Institutional Investors – Principle 1**

☑ **The New Zealand Stewardship Code – Principle 1**

1.1 Our purpose

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people's financial security. The firm is the world's sixth-largest outsourcing manager (according to P&I as of 31 March 2024), with US\$932 billion in assets under advisement (as of 30 June 2024) and US\$331 billion in assets under management (as of 31 December 2024) for clients in 30 countries. Headquartered in Seattle, Washington, Russell Investments has offices in 17 cities around the world.

Our organisation's purpose is to make financial security more achievable. We strive to provide clients with the strongest investment tools to tackle their biggest challenges, always keeping their interests and preferences at the center. At Russell Investments, we address our clients' financial challenges through flexible, multi-manager and open architecture solutions that drive outcomes and effectively manage risk. This approach fuels our growth and innovation and leverages our expertise in:



Manager Research



Asset Allocation



Portfolio Construction



Portfolio Implementation



Total Solutions Management

Since 1980, the primary business has served institutional and retail clients around the world. Russell Investments works with clients of all sizes, from individuals to smaller organisations to large governmental entities, who desire bespoke solutions and business plans that call for continued focus, investment growth, and innovation.

1.2 Our culture

At Russell Investments, our culture is built on core beliefs that guide our business and decision-making. These principles are reflected in four key pillars:

- **Corporate values:** Our people and values are the foundation of our long-term success.
- **Sustainable Work Practices:** We strive to minimise our environmental impact by integrating sustainability into daily operations.
- **Associate Engagement:** Engaged and inclusive teams drive better outcomes for our clients. Ongoing learning is central to the associate experience and our long-term growth.
- **Community involvement:** We are committed to supporting the communities where we live and work.

1.3 Values

Our core corporate values are summarised below:

- We behave with non-negotiable integrity.
- We value our people and are dedicated to fostering a meritocracy. Our pillars are inclusivity, humanity, fairness, hard work, creativity, teamwork, fun, and humility.
- We play to win by exceeding client expectations and executing with a sense of urgency and purpose.
- We are passionate investors who embrace intellectual curiosity and rigor.

Our values align with our purpose, prioritising client interests while fostering a culture of integrity, innovation, and stewardship. [View our corporate values here.](#)

Sustainability and community involvement have been core to our company from the start. We believe diverse perspectives enrich our culture, drive innovation for our clients, and create value for stakeholders and communities. More information on our diversity efforts can be found in Section 6.2.

A strong culture, reinforced by disciplined oversight and accountability, is key to staying true to our purpose. Our governance processes supporting this commitment are detailed in Section 3.

1.4 Investment philosophy

Russell Investments' open architecture investment approach was developed in the 1960s out of a recognition that the investment management industry lacked a robust standard of accountability for both institutional and individual investors. As a pioneer of the investment consulting industry, we sought to bring objectivity and fiduciary responsibility to every aspect of building and managing an investment programme. As the architect of the first multi-manager funds, our objective was to bring resources, focus, and a client-centric view to some of the most important questions investors face - the informed selection and oversight of sub-advisers, cost-and risk-aware portfolio implementation, and the creation of truly outcome-oriented investment solutions.

Multi-manager investing has risen in popularity over the years, but not all follow the same approach. We believe that open architecture investing is optimally effective when done with appropriate care as it enables independent oversight, drives innovation in stewardship practices, enforces greater transparency and accountability among investment managers and service providers, and facilitates the appropriate incorporation of sustainability considerations in investment decision-making.

Russell Investments has established a set of investment beliefs to provide a transparent and objective framework that facilitates an effective internal decision-making process and guides the delivery of all our investment solutions.

- **Outcome-orientated investing:** Investment decisions are more impactful when they directly serve the achievement of client objectives, respect for client preferences, and consideration of client circumstances.
- **Open architecture:** Independent consideration, informed diversification, and intelligent implementation of the right asset classes, best investment strategies, and appropriate risk levels give investors the highest chance of success. The ability to identify skill-based and differentiated processes is a critical edge.
- **Investment discipline:** Investors require rigorous decision-making paradigms, excellent analytical capabilities, and an ability to think and act independently to deliver superior outcomes.
- **Effective risk management:** Real-time measurement and management of risk must be integrated into the management of portfolios and solutions to ensure well-informed decision-making.
- **Dynamic portfolio management:** The ability to adapt to changing market conditions is critical to investment success.
- **Specialisation leads to investment decisions at the point of greatest insight:** Informed and objective assessment of investment excellence is foundational to the success of open architecture, both in selecting sub-advisers and in evaluating and enhancing internal capabilities.
- **Independent review and control support a strong investment process:** The best investment processes incorporate objective analysis and feedback to identify opportunities to improve.
- **Responsible investment:** Russell Investments believes long-term sustainability issues can have a material impact on investment outcomes.

1.5 Our responsible investing framework

We believe that responsible investing practices are important for delivering long-term value, managing risk, and aligning our investment approach with the evolving expectations of clients, regulators, and society. Moreover, we recognise that generating attractive investment returns can go hand in hand with making a positive impact on the world around us.

Russell Investments integrates all financially material information – including long-term social and sustainability factors – into our investment process, using active ownership to enhance long-term returns. These considerations shape our manager evaluations, portfolio management, advisory services, and proprietary solutions, balancing risk and reward while upholding our fiduciary duty. For clients seeking tailored sustainability strategies, we offer customised mandates, closely monitoring and aligning outcomes with their long-term objectives.

Our approach to responsible investing reflects the following:

- **Materiality:** We analyse environmental and social factors' impact on securities across companies, industries, and regions over time.
- **Integration:** We incorporate financially relevant sustainability information into investment decisions to enhance returns while upholding our fiduciary duty.
- **Transparency:** We demand robust disclosures from investee companies to support informed decision-making.
- **Stewardship:** We actively engage with companies to mitigate risks, strengthen market integrity, and improve investment outcomes.

Drawing on the elements outlined above, Russell Investments has developed formal policies on responsible investing, climate change risk, and sustainability risks, alongside practices that are designed to deliver an optimal balance of risk and return opportunities. These are regularly reviewed to ensure they evolve in accordance with emerging tools and market best practice, as described in the "Reviewing Policies and Processes" section 6.4 of this report.

Further information regarding how we integrate stewardship and investments can be found in section 4.

1.6 Our history of innovation

At Russell Investments, our service and product set has evolved over time in response to the most pressing threats to our clients' financial security. We have built our business on the strength of a series of innovative products and services aimed at helping institutional and individual investors invest intelligently through an open architecture investment approach. These have promoted better functioning in financial markets by raising standards around the quality and transparency of investment management, as well as the development of powerful tools for investors everywhere.

This began more than half a century ago. In response to the difficulty pension plan sponsors had in monitoring and evaluating performance, Russell Investments promoted the 'Deitz' method for calculating time-weighted returns, invented by Peter Deitz, the company's first Director of Research. Following on from that success, we pioneered the practice of vetting and evaluating active asset managers on behalf of our clients - the manager research practice that has been our most well-known capability for decades. As we introduced manager research to various markets in Europe and Asia, we were able to establish and spread a de facto global standard of investment excellence by evaluating their investment products according to common criteria and analytical tools. As major clients around the world used our recommendations to determine allocations, this contributed to significant improvements in quality standards and in investment practices across the industry.

1.6 Our history of innovation (continued)

When evaluating active asset managers, we detected gaps in the available benchmarks in the marketplace. This led to industry-leading efforts to develop styles, style indexing, smart beta and, ultimately, factors. Our innovations in style indexing have established practices, such as transparent selection, float-adjusted capitalisation weighting, and comprehensive market coverage, which have been subsequently adopted across index providers. This work was foundational to establishing factors and styles as fundamental to understanding market-wide risk and return.

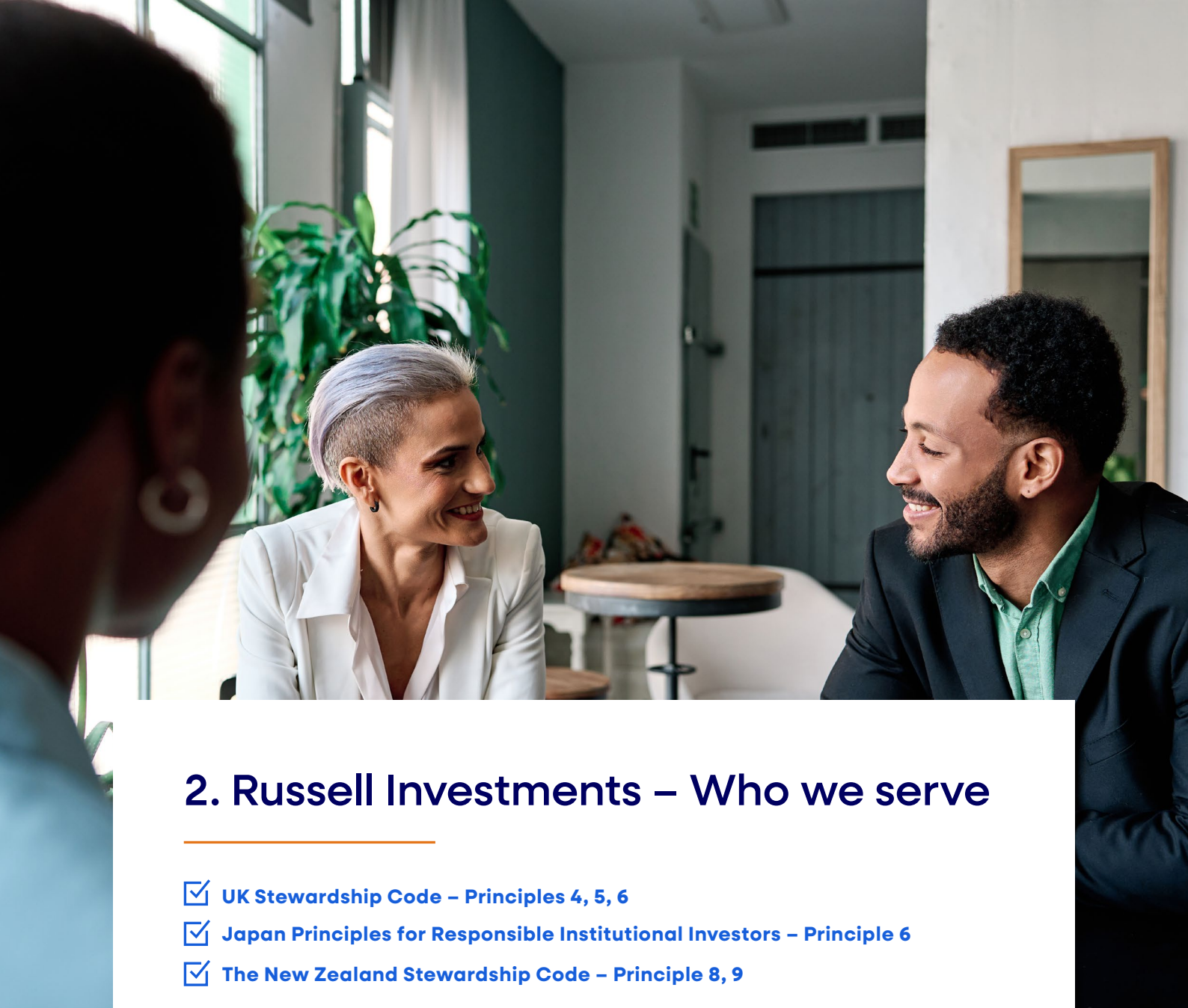
In addition to these contributions, we were early adopters of global investing and multi-asset portfolios as methods to balance risks and capture market opportunities. Our experience of managing multi-manager portfolios led to new approaches to tackling trading inefficiencies associated with the use of multiple sub-advisers. These innovations retained the benefit of using multiple best-in-class managers while lowering risk and cost and enabling substantial customisation. Our solutions have given Russell Investments a birds-eye view into the needs of our clients and consistently reinforced our commitment to improving financial outcomes on their behalf.

We have found many opportunities to protect investors against avoidable cost and implementation slippage. We introduced commission recapture in the early 1990s, followed by transition management and the development of the T-standard, a proprietary measure to transparently show the success of a manager transition and its costs. As we continue to innovate our trading practices, we have been asked by our clients and industry partners to engage with regulatory bodies to ensure that the business of investing can carry on with fewer roadblocks and detours, while also assuring appropriate incentive structures and good outcomes for asset owners.

More recently, we leveraged cutting-edge big data and AI technologies to develop a quantitative equity manager screen powered by machine learning. This tool analyses over 10,000 equity investment products, a scale and scope unattainable through manual efforts. With 55 years of manager research experience, Russell Investments has amassed an unparalleled repository of performance data, security characteristics, benchmark analytics, and risk factor exposures. Generative AI is employed to process data, describe visualisations, and draft quantitative reports, reducing manual effort and ensuring consistency. By applying advanced machine learning algorithms, we can efficiently uncover new manager products and gain valuable insights into a vast range of equity strategies, adding nuanced insights that inform our qualitative evaluations. These tools improve our ability to identify and assess emerging trends, providing a competitive edge in selecting and monitoring managers.

Our innovation in the space of sustainable investing has been no less impactful to supporting our clients' outcomes. Our manager research analysts began evaluating active money managers on sustainable investment and stewardship integration in 2014, followed by researching decarbonisation data and quantitative methods in 2015, enabling the launch of our first low carbon funds in 2017. We continue to evolve our understanding of climate risk, most notably through the use of climate models and scenario analysis, now facilitated by our partnership with the climate model provider Planetrics.

These examples, which are core to our investment approach and services to clients, address clear and present financial risks, and have driven improvements in the function of the financial system overall. We hope that our culture, responsible investing beliefs, policies, and practices enable effective processes which serve the best interests of our valued clients, who are described in the section below.



2. Russell Investments – Who we serve

- ✓ **UK Stewardship Code – Principles 4, 5, 6**
- ✓ **Japan Principles for Responsible Institutional Investors – Principle 6**
- ✓ **The New Zealand Stewardship Code – Principle 8, 9**

2.1 Our clients and assets under management

Russell Investments' focus is on solving clients' problems, and in doing so we proactively seek their views on stewardship and responsible investing. We take account of our clients' needs through formal surveys, as well as more informal means such as client meetings.

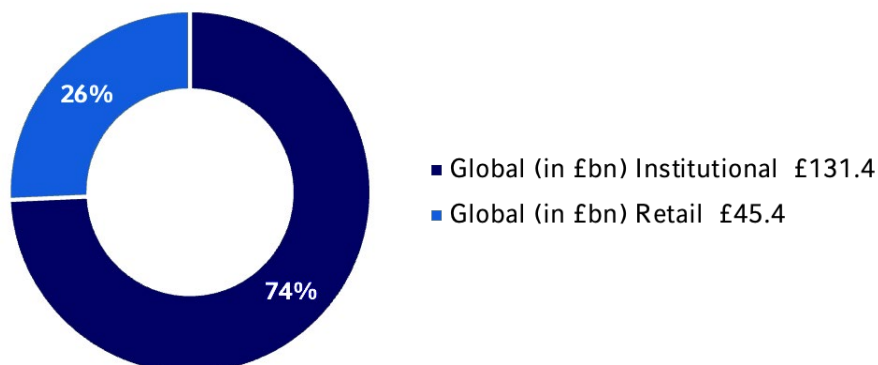
The investment time horizon is a crucial consideration that plays into both the optimal investment solution and the approach to stewardship. The majority of our clients' assets are invested to meet long-term objectives. These clients include defined benefit pension schemes, individual retirement savings plans, and insurance company assets, but even within broad groups of clients, the time horizon may vary. For example, for defined benefit clients, the investment time horizon can range from around 10 years for more mature schemes to 30 years or more for younger schemes open to future accrual.

Our stewardship efforts cover both our investment advisor and institutional client base, as well as all asset classes. For each client, we seek to understand their overarching objectives, attitude to risk, limitations (i.e., liquidity requirements), and time horizon. Our investment process is designed to tailor our products, solutions, and stewardship activities accordingly. This point is addressed further in section 2.4 below.

2.1 Our clients and asset under management

Details of our global client base are provided in the charts below.

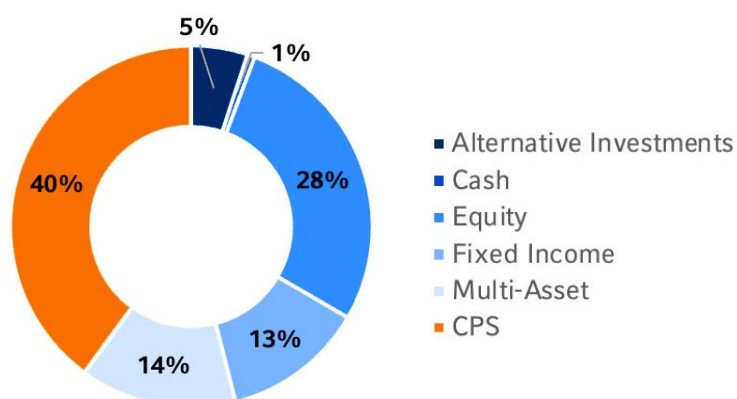
Exhibit 1: Assets under management split by retail vs. institutional



Source: Russell Investments, data as at 31 December 2024. AUM subject to exchange rate conversions and rounding to the nearest British pound.

Exhibit 2: Institutional assets breakdown by client type and asset class

Global: Institutional breakdown by asset class

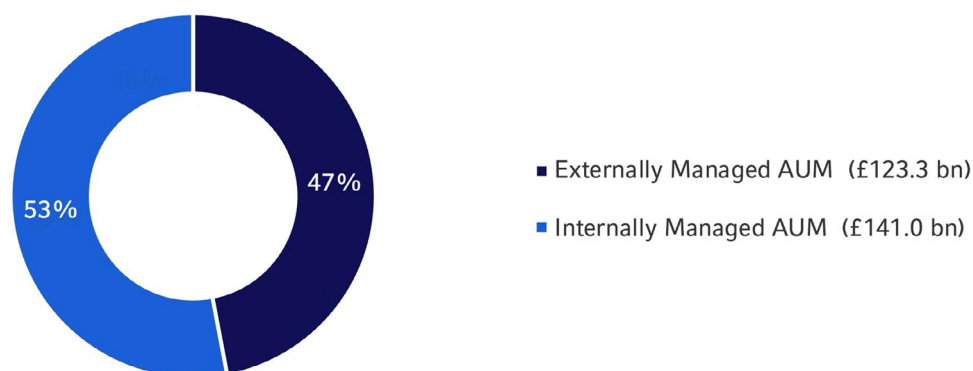


Global: Institutional breakdown by client type



Source: Russell Investments, data as at 31 December 2024. AUM subject to exchange rate conversions and rounding to the nearest British pound.

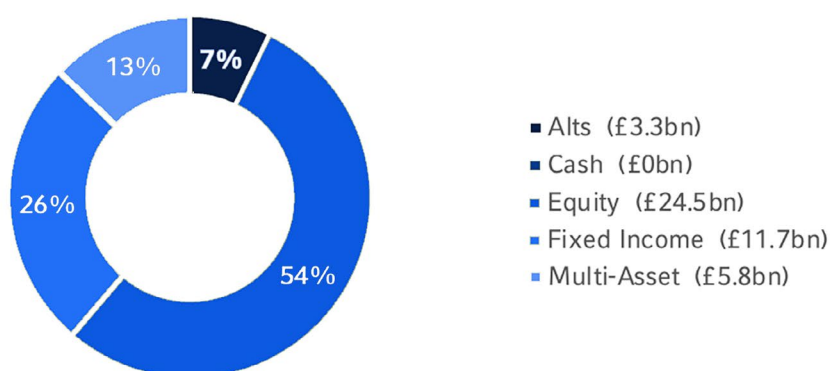
Exhibit 3: Assets under management split by internally and externally managed¹



Source: Russell Investments, data as at 31 December 2024. AUM subject to exchange rate conversions and rounding to the nearest British pound.

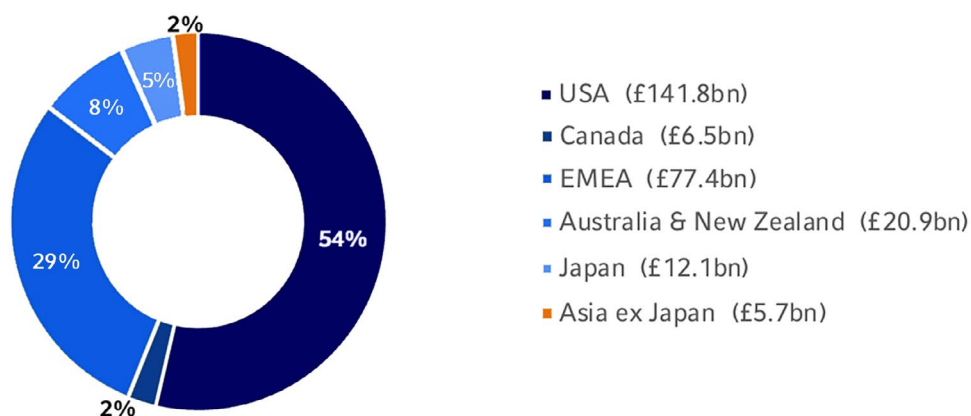
¹Externally managed assets relate to assets managed by third-party investment managers. Internally managed assets related to assets managed in house including that of overlay services mandates.

Exhibit 4: Retail assets broken down by asset class (£bn)



Source: Russell Investments, data as at 31 December 2024. AUM subject to exchange rate conversions and rounding to the nearest British pound.

Exhibit 5: Assets under management split by geographies (£bn)



Source: Russell Investments, data as at 31 December 2024. AUM subject to exchange rate conversions and rounding to the nearest British pound.

2.2 Client communications

We are committed to providing clients with comprehensive information and reporting. Once a client is onboarded, we ensure their assets are managed in line with their goals and expectations through ongoing due diligence updates and regular meetings, and we support their investment journey with education and training sessions. Our process for client reporting combines information and knowledge from three separate groups:

- Our globally integrated Investment Division (ID), which has a vast array of core data and analytics used for investment decision-making, process monitoring, and regulatory body reporting.
- Business groups servicing our clients in each region who understand specific client reporting needs.
- Our localised compliance and legal teams review client specific reporting before it is released to ensure each report is fair, accurate and in line with local regulatory disclosure requirements.

Applicable data and analytics used by the Investment Division in its day-to-day decision-making is made available to our business teams servicing clients. Depending on the area of reporting, senior members of our ID work closely with our client service teams and clients directly, to help determine the scope, frequency, detail, and format of reporting for each client and how to efficiently pull that together from our core data set. Information is scrutinised at multiple levels by senior members of the ID, including the Investment Practice Team, client service teams and by local compliance teams, before reports go to clients in specific regions.

Institutional client communication

We want our clients, at all times, to be well informed about the assets under our stewardship. We meet with our institutional client base on a regular basis (quarterly in most cases) and, where appropriate, seek to incorporate their views into our investment and stewardship policy. In addition, we provide our institutional client base with the following resources:



Training

We provide our client base with both ad hoc and scheduled training. Ad hoc training typically takes place at governance meetings, whereas scheduled training takes place in the form of in-person seminars or webinar sessions. Further details are provided below.



Quarterly OCIO investment reports

We produce bespoke client reports on a quarterly basis, providing a comprehensive view of asset performance, liabilities and funding levels. These reports include details of asset class allocation, performance attribution, portfolio positioning, and the rationale for any changes that have been made or are planned. Where relevant, our reports include key sustainability metrics – such as carbon footprint, climate risk scenario analytics, ESG risk rating and distribution and asset alignment. Recent enhancements now allow clients to see the evolution of these metrics over time. Additionally, we provide active ownership summaries, covering engagement activity, proxy voting and Russell Investments' industry participation, ensuring clients have a clear view of stewardship efforts.

Institutional client communication



Quarterly fund sustainability reports

This year we rolled out a more detailed sustainability report for segregated mandates containing corporate exposures (equities and corporate bonds). The analytics cover carbon footprint, climate risk scenario analytics, ESG risk rating and distribution and asset alignment. For weighted average carbon intensity (WACI) and ESG risk metrics, we also dig deeper into the sector and geographic contributors. Where sovereign bonds are held but are not the majority of exposures, we include sovereign (country-level) risk scores, and are looking to expand into sovereign carbon metrics in future. We also include in-depth case engagement case studies for these clients, showcasing our enhanced oversight approach.

Active ownership disclosures

This annual Investment Stewardship Report provides an opportunity to showcase in detail our commitment to active ownership, our approach, annual proxy voting statistics and observed trends. This detail includes engagement statistics and case studies as well as details of our industry collaborations.

Stewardship policies and procedures

All policies and procedures with regard to stewardship are available to our clients on our webpage. These are updated on an annual basis as further detailed in section 6.4.

Annual implementation statement

We have worked with our UK institutional client base to produce an implementation statement. This is produced on an annual basis and coincides with the scheme's reporting year end. This statement reports on how the scheme has complied with the policies and objectives set out in the Statement of Investment Principles.

End-retail consumer communication

Communication with end-retail consumers of our products differs from the above. We do not engage directly with retail investors; rather, we work exclusively with their professional advisors. Information about our stewardship practices – such as manager and investment research processes, ESG integration and operational proficiency – is provided during the RFP and due diligence reviews for institutional clients and professional intermediaries. Once onboarded, the following information is available to our professional clients and (where relevant) their retail customers:



Training

We provide informative literature on our website and at periodic events we host to ensure our clients are well informed about our investment products, their performance and how they have been affected, or may be affected, by market influences. We also provide training and literature in relation to broader investment outcomes associated with our products; this includes the impact of sustainability issues.



Fund factsheets

Fund factsheets containing key information about the fund, including performance objective, benchmark, portfolio statistics breakdown (country weighting, volatility, etc.), are made publicly available on our website and via third-party data warehouses (e.g. Morningstar).

Key Investor Information Document (KIID)

In Europe, KIID documents are made available for all funds on our website, and via third-party data warehouses and all appointed sub-distributors. The KIID details the fund's objective and investment policy, risk-reward profile, applicable charges and past performance data.

Prospectus

The fund prospectus which contains all fundamental information about the fund, its structure, any management restrictions, and a list of available share classes, is made available to all investors and potential investors on our website, third-party data providers, and all appointed sub-distributors.

Active ownership disclosures

We showcase our commitment and approach to active ownership, annual proxy voting statistics, and observed trends in our annual report. Readers will also find engagement statistics, case studies, and details of our industry collaborations.

Monthly and quarterly performance reports

In addition to the fund documentation mentioned above, live performance data is also made available by a number of third parties, including Morningstar. We provide further information around fund management and current holdings to supplement this publicly available data. Clients with significant assets under management may also request bespoke reporting, which we would provide on a monthly or quarterly basis.

2.3 Client training and development

As outlined above, we provide a range of training and development opportunities to our client base to ensure that our clients are kept abreast of key industry developments. Our annual training schedule is shaped by feedback received through surveys, alongside topics identified by our in-house experts. We also share timely insights and thought leadership content through our blog and regular updates on LinkedIn.

In 2024, we hosted a range of client events, some of which are highlighted below:

Elevate 2024 advisor conference (Canada)

At this three-day conference hosted in Florida, discussions focused on key asset classes such as Global Equity and Fixed Income. Other topics covered were generative artificial intelligence and business solutions to help advisors prepare their practices for the future. These sessions are designed to provide advisors with the knowledge and tools they need to navigate the complexities of the investment landscape and better meet their clients' needs.

Wales pension plan manager day (EMEA)

This annual half-day event in Cardiff for the Wales Pension Partnership focused on WPP Sustainable Active Equity Manager Day. The event showcased multi-manager portfolio management and diverse styles of selected managers. The seminar supports the ongoing relationship with Wales, including all eight constituent authorities, and is dedicated to educating and engaging both current and prospective investors.

Summit 2024 (United States)

At this two-day summit held in Utah, investors listened to speakers from global asset managers, including Russell Investments. The summit aimed to address pressing concerns by providing practical advice. Sessions covered topics such as future-proofing portfolios, private markets, artificial intelligence and the geopolitical landscape.

Global market outlook (Global)

Quarterly updates sharing our strategists' market expectations throughout 2024.

Due diligence (United States)

These events are conducted several times annually, both virtually and in person, offering valuable insights into the advantages of partnering with Russell Investments. Attendees gain strategies to differentiate their business with high-net-worth investors, while our experts share perspectives on multi-manager solutions and institutional-quality investment processes. Topics include tax-managed investing, direct indexing, plus the strategic blend of active & passive investing – all designed to help advisors drive business growth.

Mediobanca investor day (EMEA)

This one-day conference, hosted in Milan, offers updates and insights to Mediobanca investors and stakeholders. It includes presentations from senior leaders in the firm, discussions on market trends, and updates on various investment funds and strategies. The event aims to engage with investors and provide them with information about Mediobanca's performance and future plans.

2.4 Taking account of client preferences

✓ **UK Stewardship Code – Principle 6, 7**

✓ **Japan Principles for Responsible Institutional Investors – Principle 6**

✓ **The New Zealand Stewardship Code – Principle 3**

Our clients invest to achieve real-world outcomes - to fund retirement for themselves or their employees, to pay for college, or to support a mission. To help them succeed, it is essential that we incorporate their unique circumstances and preferences into tailored investment solutions. As a global solutions provider, we follow a structured Design, Construct, Manage framework to develop and implement investment strategies aimed at delivering the outcomes our clients seek. Our responsible investing practices are embedded across each stage of this process – through strategic asset allocation, market and manager research, portfolio management, and active ownership capabilities.

All else equal, clients with the same objectives will be provided with the same investment solution based on our best global investment ideas and insights. However, every solution starts with an understanding and incorporation of client preferences.

Design

Central to the “Design” step of our investment process is taking client preferences into consideration. We work with investors to establish clear objectives and to fully understand their preferences, constraints, and circumstances. We use this shared knowledge to develop an investment roadmap, or strategic asset allocation (SAA). This SAA is built around required investment returns, time horizons, risk appetite, fee sensitivity, liquidity requirements, and other critical conditioning factors that determine the most appropriate mix of asset classes and return drivers.

Time horizon, for example, may have a substantial impact on the mix of assets selected and their allocations, particularly allocations to illiquid assets or return sources whose payoff may be seen as most reliable over a longer time-period (but less so over shorter horizons). Our forecasting engine supports this by providing a framework to create an array of scenarios which extend decades into the future and help model asset combinations and the liabilities they seek to meet.

A standard approach in the production of capital market assumptions (CMAs) is to assume key economic and financial variables will revert over time to their long-run trend or reach some sort of “equilibrium” level. However, incorporating climate change risk into these long-run assumptions is a more complex task requiring probabilities around a range of future climate scenarios. To enhance our climate modelling toolkit, Russell Investments partners with an external specialist climate risk provider. We produce baseline CMAs that use historical long-run economic and financial data (referred to as “climate-agnostic CMAs”), and then “shock” the CMAs based on different climate scenarios and their potential economic and financial impact to produce “climate-adjusted CMAs”. This enables us to compare the potential portfolio impact of different climate scenarios across asset classes and exposures.

We use our climate-adjusted CMAs to support clients who want to further understand the impact of various climate scenarios on their asset allocation decisions. This enhancement also supports clients’ climate-related disclosure requirements such as those aligned with the Task Force on Climate-Related Financial Disclosures (TCFD).

Construct

In the “Construct” step of our process, we find and utilise investable strategies that capture the desired SAA exposures, while adding excess return through superior active management. We believe that best-in-class investment managers can identify idiosyncratic mispricing of individual securities and possess the ability to outperform the market through their selection skill and dynamism. We believe that specialisation leads to the best investment decision-making, occurring at the point of greatest insight. No single firm has a monopoly on investment insight. This belief leads us to construct investment strategies with an open-architecture approach, identifying and combining the best managers and positioning strategies to populate and add value to the allocations made in the “Design” step

In our open architecture approach, our manager research due diligence teams rigorously pit the best strategies against each other in our efforts to find the very best. Russell Investments’ portfolio managers then select their active managers from among those ranked highly by our manager research teams, using the ESG assessment in balance with other key criteria, while staying mindful of return targets and profile and exposure data. When constructing multi-manager portfolios with sustainable objectives from a combination of sustainable or thematic sub-adviser strategies, portfolio managers use an additional framework to validate the sustainable credentials of those products. This framework is referred to as I-P-O, for Intent, Process, and Outcome. Additional details can be found in section 4.1.

Manage

The objective of the “Manage” step of the process is to keep the solution on track for success by adapting to changing market environments, effective risk management and attention to efficient implementation. We believe that the fear and greed cycle allows for a robust, process-driven, dynamic management approach, to both add incremental return and to manage risk more effectively over the course of a market cycle. We dynamically manage portfolios with this process by including both quantitative and qualitative analysis of material risks. When this analysis creates a high conviction short term view, we are able to take tactical positions. This is most common when markets have moved to extremes of fear or greed.

Like market, credit, and other risks, portfolio managers seek to identify, assess, and manage financially-material sustainability risks on an ongoing basis within portfolios. Potential risks are identified using available metrics, proprietary scoring, manager reporting, and through communication with sub-advisers. As one means of addressing these risks, our portfolio managers work hand-in-hand with our active ownership team to ensure alignment with our proxy voting and engagement activity. We share more details on these practices in the section on “Integration of Responsible Investing”.

We believe that when we combine our strong understanding of our clients’ desired goals, circumstances, and preferences with the full complement of our investment principles, insights and capabilities, we can forge the best path to a successful investment outcome.



Case study: Beta completion portfolio

A donor-funded foundation managing over \$4bn in assets teamed up with Russell Investments to help better meet its investment objectives through a three-pronged solution, which consisted of the following phases:

1. Setting strategic direction.
2. Implementing a total equity restructure and managing a custom environmental, social, and governance beta completion portfolio.
3. Maintaining ongoing risk management and utilising overlay and bespoke strategies.

The foundation's investment team held specific investment beliefs that they wanted to implement within the portfolio, including exclusions based not only on sustainability considerations, but on performance-driven theories. The limited size of their in-house team, along with limits in data, technology and other capabilities hampered their ability to implement their beliefs.

Outcome

By working with Russell Investments' complete suite of capabilities, we were able to turn the clients' significant insights and beliefs into implemented strategies.

Our implementation team of over 26 portfolio managers and traders helped the foundation transition its legacy global equity portfolio into a custom ESG beta completion portfolio, intended to achieve the foundation's beta needs, or target return, while also implementing a highly-customised alpha – exclusion programme.

By partnering the clients' own insights with Russell Investments' platform of capabilities and data, the foundation's portfolio has now been aligned with its unique and dynamic views.

2.5 Climate aware solutions

Russell Investments takes a total-portfolio view within our multi-manager framework to support our clients' investing preferences and to achieve selected outcomes. As part of this approach, we offer targeted solutions for clients who aim to integrate climate considerations into their investment process.

As part of our unique offering, we leverage manager strategies and proprietary techniques to support client outcomes. These can include:

- Assessing how managers integrate low-carbon economic transitions risks and opportunities into their investment processes.
- Lowering the portfolio's exposure to high-GHG emitting companies or increasing exposure to companies producing climate change-related goods and services.
- Managing the portfolio's exposure to companies highly impacted by the energy transition while maintaining dialogue to support transition strategies.
- Implementing strategies that track to Paris-Aligned or other net zero goals, such as reducing emissions while raising exposure to companies which have established net zero strategies.

Each of these approaches are "climate-aware", but express or capture a different opportunity set depending on our client's needs.



Case study: Development of Multi-Asset Future Growth Fund

In 2024, we partnered with a UK pension scheme to develop and launch a bespoke Multi-Asset Future Growth Fund, with the scheme providing seed capital. The fund is designed to be open to additional investors.

The fund creation process involved working closely with the client to define and implement robust sustainability criteria aligned with their objectives. Through multiple discussions, we agreed on high sustainability standards, including:

- A carbon reduction target embedded in the investment selection process.
- Sub-fund exclusions to align with responsible investment principles.
- Strong active ownership on underlying holdings.
- SDG-aligned reporting, integrated alongside performance reporting.

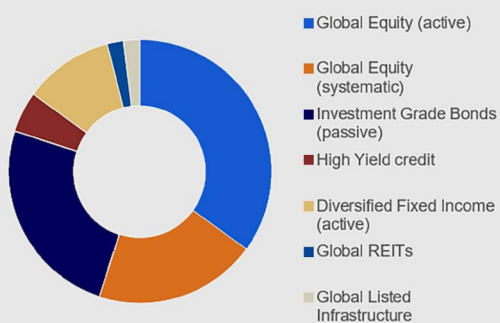
Outcome

By carefully selecting and combining a set of funds – including our Net Zero Committed Global Future Equity strategy, developed last year – we successfully launched a sustainable multi-asset strategy with high sustainability credentials and an integrated carbon reduction target, all while maintaining a return target competitive with traditional strategies.

Exhibit 6: Multi-asset strategy development

SOLUTION

Multi-Asset Future Growth Strategy Characteristics



SONIA + 4.5%
Total Return Target

Global
Geographic exposure

OUTCOME

Article 8 SFDR Classification

✓ **25%**

lower carbon footprint relative to the aggregate benchmark (MSCI ACWI and Bloomberg Global Aggregate Credit Index)

✓ **60%**

Of the eligible investments are subject to a binding carbon footprint reduction target

Note: Diagram for illustrative purposes

Carbon managed portfolios

When requested, Russell Investments collaborates with clients to build mandates which explicitly target climate-related outcomes. As of 31 December 2024, we had approximately £14.59bn in carbon-managed strategies. These strategies are typically built with a specific carbon reduction target such as a 25% or 50% reduction in weighted average carbon intensity (WACI) or decreased exposure to fossil fuel reserves.

In 2024, to support these strategies, we enhanced and updated our methodology for low-carbon equity strategies. Titled “Decarbonisation 3.0”, the enhancement aims to achieve key climate objectives while minimising active risk relative to an underlying investment portfolio. While the old approach considered a company’s green energy generation, we now assess the green revenues associated with a company’s business model. The new approach is more nuanced and holistic in its considerations of the energy transition.

Setting and achieving portfolio climate targets

In 2021, Russell Investments committed to partnering with interested clients to develop a roadmap for aligning their portfolios with net zero emissions by 2050. To support their goals, we have focused on delivering the climate expertise and solutions they need. Key initiatives include:

- Enhancing how we calculate and track carbon emission reductions in client portfolios.
- Conducting due diligence on climate data providers and assessing updates in climate research.
- Designing and conducting climate specific training sessions across our Investment Division and Go-To-Market teams to increase climate knowledge throughout the business.

As part of our climate strategy, we monitor progress towards net zero emissions using a bottom-up, portfolio-by-portfolio approach.



Case study: Advancing our net zero investment knowledge

Throughout the second half of 2024, Russell Investments worked with an investment consultant to further develop our investment knowledge in net zero. The team went through 3 half-day workshops and worked in partnership with the consultant to focus on three main topics:

- 1. Enhancing sustainability competencies:** Strengthening our existing expertise by gaining a deeper understanding of NZAOA expectations, exclusion policies, the Just Transition, and best practices in disclosure.
- 2. Expanding our net zero offering:** Exploring enhancements to our asset alignment tool, including the potential integration of additional asset classes.
- 3. Improving climate reporting:** Reviewing our existing climate reporting and evaluated potential enhancements, with a focus on incorporating transition planning in future iterations.

Outcome

Through this engagement, the team gained invaluable insights that translated into a set of actionable improvements. Key developments include enhancements to our asset alignment model and refinements to our TCFD reporting, ensuring greater transparency and a more robust net zero offering. These advancements position us to better support clients looking to integrate climate strategies into their portfolios.

Carbon managed portfolios

In most cases, Russell Investments has followed the guidance of the Net Zero Investment Framework (NZIF) in constructing net zero-aligned portfolios. The NZIF includes multiple portfolio targets to provide a comprehensive, flexible, and effective approach for aligning investment portfolios with net zero emissions goals. This multi-target approach reflects the complexity of transitioning to net zero and the diverse ways in which investors can influence decarbonisation across asset classes.

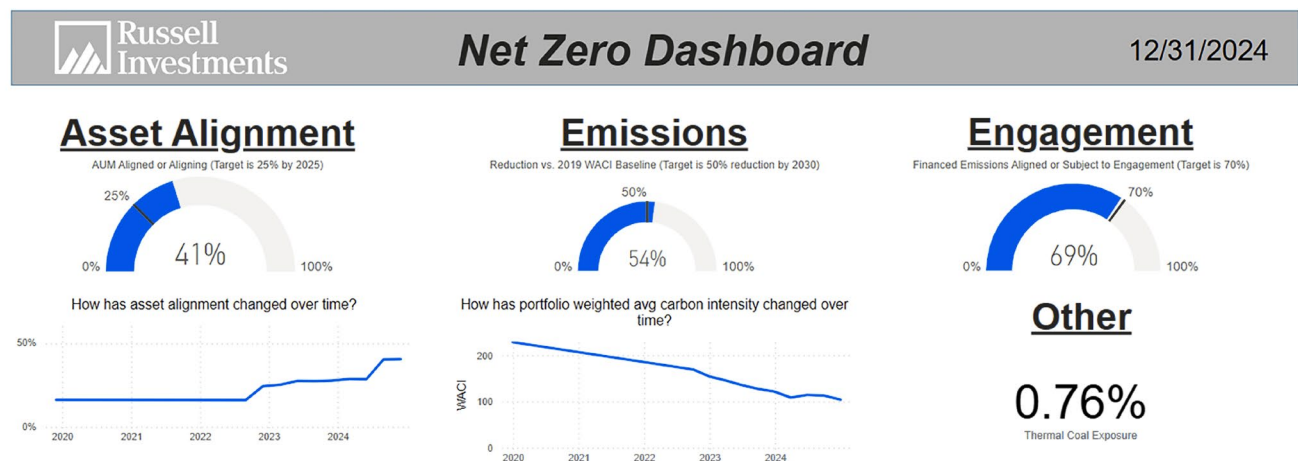
With this in mind, we assess four main metrics for progress against our climate goals:

- 1. Asset alignment:** measures the percent of the underlying holdings which are classified as “aligned or aligning to net zero by 2050 emissions.”
- 2. Emissions:** measures the portfolio’s percent reduction in Weighted Average Carbon Intensity (WACI) versus a 2019 baseline emissions measurement.
- 3. Engagement:** measures the percentage of underlying holdings in the portfolio are either classified as “aligned to net zero by 2050 emissions”, or subject to an ongoing engagement dialogue.
- 4. “Other”:** Assesses the thermal coal exposure in the portfolio.

Recognising that client preferences change, we are continuously building out our capabilities to enhance our climate-aware solutions and investing tools to adapt in this dynamic environment.

The snapshot below showcases our internal Net Zero Dashboard which we built out to support visibility into these efforts. The Dashboard tracks progress for each underlying fund or account in scope for net zero alignment, as well as an aggregated Russell Investments portfolio. This aggregated portfolio represents the 25% of Russell Investments AUM currently considered in scope for net zero alignment.

Exhibit 7: Snapshot of sample net zero dashboard



Snapshot of sample net zero dashboard as of 31 December 2024.

2.6 Addressing client needs in practice

We recognise the importance of regular communication and engagement with clients to understand their goals, objectives, preferences, and constraints. We also understand that clients' needs can change over time. To ensure we remain aligned, we gather feedback through various methods such as client satisfaction surveys, periodic reviews, and ongoing discussions. Whilst our approach does vary slightly from region to region, our methods are summarised below.

Ongoing dialogue

We believe that the best way to understand our clients' needs is through clear and constant dialogue. This stems from an understanding that each of our clients are different and have unique needs. Therefore, having an open dialogue with each of them ensures that we are aligned on what they are trying to achieve. This form of engagement typically takes place at quarterly meetings and intra-quarterly as needed. This allows us to have detailed discussions of their goals, objectives, preferences, and any constraints they may wish to have expressed in their portfolios. In certain jurisdictions, we measure the effectiveness of the relationship through the use of key performance indicators (KPIs), such as:

- **Client satisfaction:** We ask for performance review feedback from our clients throughout our relationships.
- **Client retention:** We place a strong focus on the tenure of our clients.
- **Investment performance:** Clear articulation and setting of investment objectives based on both our understanding of and our discussions with clients.
- **Bespoke KPIs:** We often work with our clients to agree on bespoke KPIs around other value-adding services that are of importance (e.g., number of face-to-face meetings).

Third party surveys

We conduct third-party client satisfaction surveys every three years to ensure that we are exceeding our clients' expectations, and provide an option for clients to submit anonymous feedback and input on how they would like us to evolve our solutions to meet their changing needs. The latest in-depth client survey was carried out over the course of 2023. For illustrative purposes, an example graphic of client survey result received in EMEA has been included in Exhibit 8 below.

Exhibit 8: Example client feedback results

		Questions	Example of comments
Examples of Client Perspectives	Total Average Score (1-10)		
Support in determining investment strategy	8.5	What do you think Russell Investments is doing well?	"Russell Investments are an integral part of the management team for each of my clients that use their services. They understand the issues facing the trustees and sponsors and work with them to produce workable solutions."
Day-to-day client support & communication	8.5		
Implementation of an appropriate strategy to achieve objectives	8.3	Is there anything you think Russell Investments could improve going forward?	"There is nothing that we think should change. Our experience has been very positive, what we have seen from Russell Investments has been great."
Management of potential conflicts	8.0		
Governance of the mandate	8.0		
High standards of reporting	7.9	Is there any other feedback you'd like to provide?	"We want to work together with Russell Investments on our new focus on ESG."
Addressing changes in the regulatory framework	7.8		
Russell's overall contribution	8.4		

Case studies

Through client feedback and ongoing internal reviews of our practices, we look for areas of improvement and ways to meet emerging client needs. The following case studies highlight how we have responded with targeted actions, demonstrating our commitment to continually enhancing our services and aligning with client expectations.

Case study: market insights

We continuously monitor market developments and client priorities to deliver services that meet the highest standards.



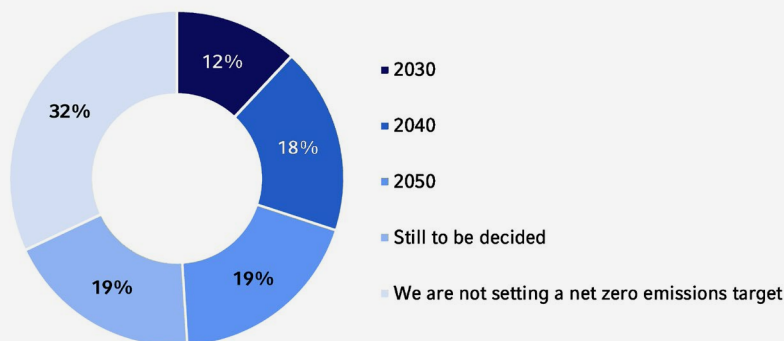
Case study: Bi-annual UK defined benefits market insights study

In December 2024, we published the fifth volume of our bi-annual UK Defined Benefits Market Insights Study. This volume was based on responses from key stakeholders at 90 UK DB schemes in September and October 2024, representing a total of over £250bn of assets under management. Russell Investments also conducted interviews with 11 leading independent trustees to provide additional context to the survey findings.

The purpose of this study was to understand the key priorities and concerns facing stakeholders, including stewardship. As part of this, 42% of respondents indicated that they were likely to increase their focus on stewardship over the next 12 months – a decline from 58% in 2023. As shown in Exhibit 9, 49% of respondents have set a net zero target for 2050 or earlier, down from 53% in our 2023 study. Notably, the proportion of schemes that have decided not to set a net zero target has more than doubled in the past year, rising from 15% to 32%, while the “still to be decided” group has decreased from 32% to 19%. This suggests that uncertainty in this space is beginning to settle, and the urgency to commit is not as strong as it once was.

The survey also asked respondents what they would like to see in the UK market over the next 12 months. “Better quality data on sustainability” was the most selected option, with 30% of respondents selecting it. Additionally, 10% of respondents selected “more sustainable investment offerings”, making it the third most selected option out of the 13 available. Thus, we can see there is modest appetite to continue integrating sustainability into investment portfolios in the UK.

Exhibit 9: Respondents’ targets to reach net zero



Source: Russell Investments, October 2024.

Outcome

The UK Defined Benefits Market Insights Study is conducted on a bi-annual basis, designed to allow us to gather feedback and trends from both our client base and wider market. This includes how our focus on Stewardship can help them to reach their goals. Based on the results received, data quality and providing innovative sustainable solutions will continue to be a key feature of our responsible investing agenda. In addition, it is crucial that we offer solutions that support clients in reaching their net zero objectives while providing those who choose not to pursue it with the option to opt out, ensuring our approach remains adaptable to diverse client needs.

Case studies: Solution development

We work closely with our clients to develop tailored solutions that address their specific needs, whether related to customised portfolio solutions, building funds, reporting, or any other critical areas.

For example, as shown in the case study below, Russell Investments worked with a Shariah-compliant superannuation fund, where we developed tailored investment solutions to align with Shariah principles while addressing regulatory considerations and investment objectives.



Case study: Development of a customised Shariah-compliant investment solution for a client in APAC

In 2024, we onboarded a large Shariah-compliant Superannuation Fund with an AUM of over \$400m AUD. This Fund provides Superannuation wealth services to the Muslim community in Australia and offers Shariah-compliant investment options for its members. We ran a series of consulting workshops to understand the client's objectives, discuss investment strategy that help to reduce regulatory risk whilst meeting their investment objectives.

Outcome

We built and implemented customised solutions for the Australian and global equity sleeves in their multi-asset portfolios. These solutions are Shariah-compliant, that take into account Shariah based exclusions.

The developed solutions aim to achieve their stated CPI + objectives while considering Shariah based exclusions. It is also designed to reduce potential regulatory risk that Superannuation Funds are subject to in the Australian Superannuation regulatory environment.

Case studies: private markets risk assessment

The following case study explores how Russell Investments' private markets team provided a global real estate client with insights on managing sustainability risks, aligning with both regulatory priorities and the client's internal risk framework.



Case study: Private market development

Our client, a Dutch pension fund, embarked on a strategic initiative to strengthen the management of sustainability risks within its risk framework. This effort was driven both by the fund's internal commitment to sustainability and the increasing emphasis placed on this area by regulators. To support this effort, the client engaged Russell Investments to assess their real estate manager's proposal for Key Risk Indicators (KRIs) in the portfolio.

Next Steps for the Four KRIs

- **Physical climate risk:** Russell Investments recommended engaging a third-party service provider to quantify potential financial impacts of physical climate risk, and to collaborate with the client on setting realistic thresholds or signal limits.
- **Transition risk:** Russell Investments supports developing multiple scenarios and again recommended exploring working with third-party partnerships. It is also essential to establish realistic thresholds or signal limits collaboratively.
- **Social or governance controversies:** Russell Investments advised enhancing the framework for identifying, managing, and monitoring controversies. As a minimum, this should provide a basis to identify controversies, assess the materiality, and monitor the status of the controversies.

The framework is expected to evolve over time to adapt to the changing sustainability landscape in private real estate.

Outcome

There are significant challenges to managing sustainability risk, including the absence of standardised market practices, limited regulatory frameworks (compared to mortgages and public equities), data availability and quality issues, and regional and sectoral variations. To navigate these complexities, we observe that managers are increasingly leveraging third-party service providers to enhance their approach to climate and transition risk management. This trend reflects a growing recognition of the need for specialised expertise, robust data analysis, and structured methodologies to effectively integrate sustainability considerations into investment strategies.

Case studies: analysis and reporting

In addition, Russell Investments has been helping clients transition from basic sustainability reporting to a focus on real-world impact, with enhanced methodologies for carbon footprint analysis and TCFD-related reporting as shown below:



Case study: Attribution modelling for an OCIO client

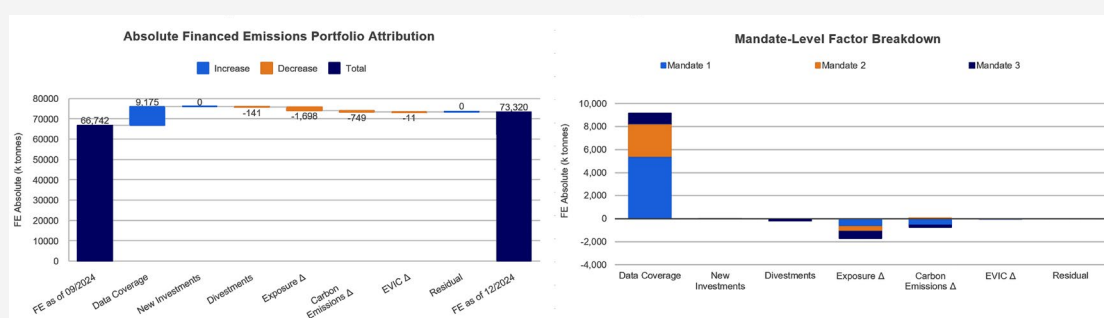
As clients are facing increasing regulatory requirements regarding their sustainability reporting, Russell Investments has been actively supporting clients in meeting these requirements. Some investors are shifting from a “purely-reporting” to real-world impact approach and we have adapted our modelling to help guide their decision-making. One such client recently completed the third iteration of TCFD-related reporting.

To enable better assessment and identification of real-world impacts, Russell Investments developed more granular carbon footprint decomposition inspired by the NZAOA’s December 2023 attribution [guidance](#). Instead of a simple metric and allocation impact, our multi-variable analysis investigates the impact of data coverage, portfolio drivers (new investments, divestments and exposure changes) and investee company drivers (change in carbon emissions and change in EVIC/Revenue). We currently apply this methodology to WACI and Financed Emissions.

Outcome

The enhanced attribution has supported us/our clients in having more informed discussions with respect to emission changes experienced over a quarterly period also enabling us to escalate to the Active Ownership function as needed.

Exhibit 10: Excerpt of advanced attribution modelling





3. Governance of stewardship

- ✓ **UK Stewardship Code – Principle 2**
- ✓ **Japan Principles for Responsible Institutional Investors – Principle 7**
- ✓ **The New Zealand Stewardship Code – Principle 1**

Our governance bodies and supporting processes ensure alignment of our activities with our clients' best interests and effective stewardship across all investments, at every level of our organisation. Our corporate and investment bodies recognise that stewardship is central to investment management, and this has been the main organic driver of our evolution as good stewards of our clients' investments with us. Below, we provide details of our global and EMEA governance structures and resources, and how they contribute to a consistent emphasis on high standards of fiduciary duties.

3.1 Global governance structure

At Russell Investments, global governance is headed by the Board of Directors and Executive Committee (EC). Leadership on stewardship starts at the top of the organisation and is expressed through the empowerment of a number of global committees to establish practices and oversee their faithful execution. These committees ensure compliance with global investment, risk, and stewardship standards across all regions, as well as being responsible for introducing continuous enhancements to our approach, in line with our best thinking and industry practice.

Exhibit 11: Global governance committees



Source: Russell Investments, for illustrative purposes only.

The EC is the most senior management group at Russell Investments and is responsible for determining the company's business strategy and overseeing its implementation. Overall direction and emphasis on stewardship is set by the EC as part of investment strategy and corporate management. In recent years, the EC has strongly supported increased integration and resourcing of stewardship activities.

The Global Risk Management Committee (GRMC) plays a critical role in our risk management and stewardship practices. It provides an independent global authority over major areas of risk and control essential for effective management of the company.

The GRMC, acting in its oversight capacity, is authorised and directed to review and evaluate investment, credit, and operational risks. It provides guidance to the business units for the proper identification, assessment, monitoring, and mitigation of these risks. It is authorised by the EC, and its responsibilities relate to all legal entities and businesses operated by Russell Investments worldwide. Global oversight by the committee for risk management practices is supported by regional risk management sub-committees in each of Russell Investments' current business regions. Further information on how Russell Investments identifies and responds to market-wide and systemic risks is explained under section 4.2.

Board oversight of climate risk

Russell Investments' Board of Directors has ultimate responsibility for the strategic priority, corporate governance, and long-term stewardship of the firm. Significant consideration has been put toward establishing the appropriate governance frameworks to identify, assess, and manage climate-related risks and opportunities.

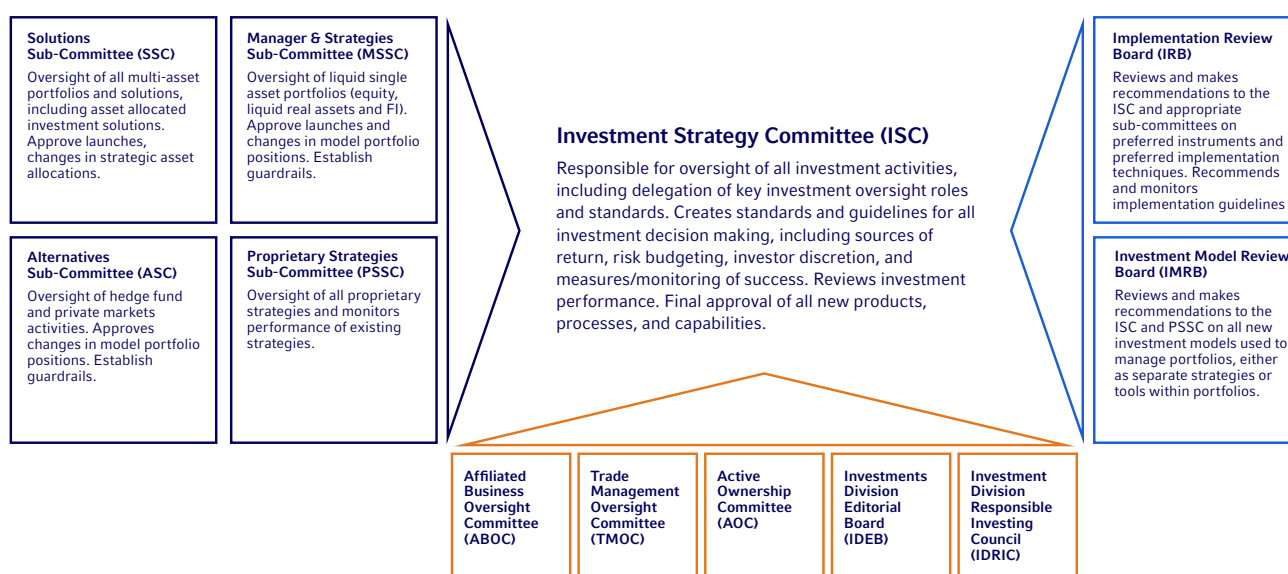
The firm's TCFD report is tabled annually at the Audit and Risk Committee meeting. This provides the Board with an opportunity to further deepen their understanding of the firms' exposure to climate risk. Russell Investments' Board, through the Executive Committee (EC), and Audit and Risk Committee, has delegated oversight of the risks associated with climate change to the Investment Strategy Committee and the Global Risk Management Committee.

3.2 Investment governance structure

The Investment Division (ID) is responsible for undertaking all investment activities for clients. The ID is governed by the Investment Strategy Committee (ISC), which is authorised by the EC to oversee investment activities, review investment performance, and establish investment policy and strategy. While relying on daily execution by sub-committees, the ISC is ultimately responsible for processes and standards of stewardship practice, with a focus on active ownership and creating long-term value through appropriate decision-making around allocations and risk management. As regulatory standards and industry practices evolve, the ISC seeks to continually update investment processes, including stewardship practices.

The ISC's members comprise the Global Chief Investment Officer, who serves as the Chairperson, and senior ID and risk professionals. The ISC delegates to numerous sub-committees to review and recommend proposals to create new investment products, launch new funds and hire/terminate investment managers.

Exhibit 12: Investment Strategy Committee



Source: Russell Investments, for illustrative purposes only.

The groups reporting to the ISC have written charters outlining their documentation requirements, such as records of approvals, decisions, and oversight activities. Each of these groups has delegated responsibilities from the ISC, with some directly related to the faithful execution of stewardship responsibilities and the continuous development of investment practices for the management of client assets. Whether those duties relate to ensuring sound investment decisions on behalf of clients, verifying the rigor and appropriateness of investment analysis, or guarding against potential risks or conflicts, they all feed into the broader mission of improving financial security for people.

Our governance process features performance measurement, with much focus placed on metrics that assign accountability and reflect the outcomes our clients seek. We formally review these metrics and outcomes with the accountable parties on a quarterly cycle (and informally more frequently), and we continually revisit mandates, objectives, and performance metrics for their alignment with the mission of each group.

Every ISC sub-committee is responsible for embedding relevant stewardship practices into its governance and decision-making processes. For example, the Managers and Strategies Sub-Committee ensures that proposed portfolio structures are well-constructed to meet investment targets within risk guidelines. As part of that oversight, the committee must confirm that sub-advisers have sufficient sustainable investing capabilities for the assignment under consideration and will consider this when approving portfolio structures.

Within the ID, our Active Ownership Committee (AOC) oversees a globally consistent and rigorous approach to proxy voting and engagement activities. The AOC is made up of tenured and experienced Russell Investments professionals from a variety of roles around the world, including portfolio management, manager research and investment strategy. Proxy voting and engagement activities are advised by a member of Russell Investments’ legal team. Policies and guidelines are reviewed and adjusted at least annually to ensure efficient implement and alignment with best practices.

Under this oversight, the Active Ownership Team executes the day-to-day process, maintaining proxy voting policies, procedures and guidelines, while implementing voting decisions and evolving our processes as needed to meet client needs and expectations. The team also works alongside our portfolio managers to direct and coordinate our engagements with public companies, our sub-advisers and other market participants. This organisational structure, and the diverse set of participating investment professionals, ensures our active ownership function is integrated within our investment process.

Exhibit 13: Active Ownership Committee structure



Source: Russell Investments, for illustrative purposes only.

3.3 Responsible investing governance structure

We take an integrated approach to responsible investing, with subject matter experts embedded across our investment teams and the broader organisation. Our responsible investing teams and initiatives are led by two executive sponsors, Kate El-Hillow, President and Chief Investment Officer and Lindy Freeman, Global Head of Institutional, demonstrating Russell Investments' commitment to these initiatives. Two councils provide governance and coordination for our responsible investing initiatives, namely the Go-to-Market Responsible Investing Council (GTMRIC) and the Investment Division Responsible Investing Council (IDRIC).

GTM Responsible Investing Council

Russell Investments' GTMRIC is responsible for guiding our investment deliverables and Go-To-Market (GTM) activity on responsible investing, ensuring that we provide the best possible solutions for our clients worldwide.

The council is composed of representatives from across the business including the investment division as well as product, marketing, legal, compliance, and client-facing teams. It is chaired by Jihan Diolosa, Head of Global Sustainable Investing Strategy.

Exhibit 14: GTM Responsible Investing Council structure (GTMRIC)

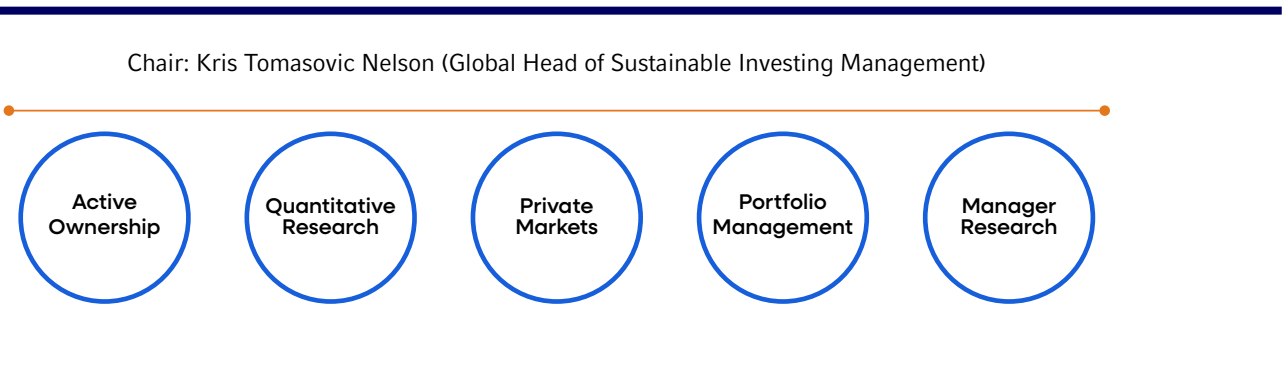


Investment Division Responsible Investing Council

Russell Investments' IDRIC is the principal body of responsible investing experts at our firm. Council members oversee the Investment Division's (ID) response to a wide range of sustainable investing challenges and requirements driven by clients' needs, business strategy, and changing regulations, while coordinating closely with the GTMRIC.

The IDRIC, which reports to the ISC, guides the ID's responsible investment practice across our investment process. For example, this group ensures that the data, infrastructure, and processes are in place to support effective active ownership and an integrated approach to investment decision-making. The council is chaired by Kris Tomasovic Nelson, our Global Head of Sustainable Investing Management.

Exhibit 15: Investment Division Responsible Investing Council structure (IDRIC)



3.4 Resourcing stewardship

The ID is organised around three core strengths: research, portfolio management, and implementation services. Some of the key investment functions most central to stewardship practices include:

- **Manager research analysts:** Specialists responsible for gaining a thorough understanding of the universe of investable managers and products, and for making recommendations which they believe offer our clients the best opportunities.
- **Portfolio managers:** Professionals tasked with strategic asset allocation, manager and strategy selection, and daily portfolio monitoring of Russell Investments' strategies.
- **Implementation portfolio managers:** Specialists who execute the investment decisions of the portfolio managers, ensuring the timeliness and efficiency of any changes.
- **Research and development:** This team conducts capital markets research and develops systematic investment strategies that identify and capture key sources of return. Our R&D professionals also develop technologies and tools that support effective investment processes, while leveraging data science and advanced modelling techniques to solve a wide range of investment challenges.
- **Asset allocation & investment solutions:** Members of this group lead our asset allocation research and development, including forecasting and modelling. They also research the role of emerging asset classes, such as portable alpha and overlay strategies, while evaluating less traditional investment opportunities.
- **Active ownership:** Our stewardship specialists enable our proxy voting policies, procedures, and decisions, while also leading our engagement programme with participation from a broader group of investment professionals.
- **Service providers:** The extent to which service providers are used and the service they provide from a stewardship perspective is covered in Section 4.4 of this report.

The collective efforts of these functions drive the development and management of solutions designed to align with our clients' return objectives, while incorporating our best insights on manager research and projected market behaviour. We value specialisation and clear accountability in these roles, while fostering a collective mindset to deliver a total portfolio solution for clients. The table below highlights the depth and credibility of our investment associates, showcasing a strong combination of subject matter expertise and qualifications to effectively meet our stewardship requirements.

Exhibit 16: Total number of investment professionals

TOTAL NUMBER OF INVESTMENT PROFESSIONALS	NUMBER OF INVESTMENT PROFESSIONALS WITH CFAS	NUMBER OF INVESTMENT PROFESSIONALS WITH PHDS	AVERAGE RUSSELL INVESTMENTS YEARS' TENURE	AVERAGE INDUSTRY YEARS' EXPERIENCE
335	150	7	10.5	17.2

Source: Russell Investments, data as at 31 December 2024.

Associates are encouraged to pursue educational opportunities to develop skills and meet their career goals. We encourage participation in continuing education opportunities, such as the Chartered Financial Analyst programme, to enhance knowledge through job-related areas of study, or pursuing licenses and professional designations applicable to their positions. To further encourage associates, a generous tuition reimbursement plan is available for qualified courses and areas of study. Meanwhile, our associate development initiatives ensure that managers are accountable for collaborating with their direct reports to create tailored development plans aimed at enhancing existing skills and fostering new ones.

Specific to responsible investing, both broad and role-specific training is required for key investment professionals, ensuring an appropriate understanding of climate, natural capital, and human capital concepts and topics as they seek to deliver strong investment outcomes and stewardship to clients. In addition, client-facing teams have continual access to regular training on capital markets, investment strategy, asset class behaviour, and portfolio management innovations.



Case study: Investment division sustainability risk training

Over the course of 2024, the Global Responsible Investing Team released a series of training videos to Russell Investments' investment professionals. The videos cover key topics and new developments relating to our sustainable investing tools and capabilities, and they were accompanied by discussion sessions to allow our investment professionals the opportunity to address any questions about the trainings or how to apply the knowledge to their role.

The training provided in-depth teaching of the following topics:

- Sustainable investing **tools** available to portfolio management and manager research teams. This training included demonstrating the functionality for each of the available tools as well as situational awareness on when to use each tool in our investment processes.
- The **metrics and reporting** available in our internal tools specific to climate risk analysis. This included a deep-dive into the differences between climate metrics and how to use those metrics for different reporting needs.
- Understanding our **capability** to conduct and utilise climate risk and scenario analysis to assess potential economic impacts and how it relates to security valuation.
- Improve knowledge on how our climate **capabilities** relate to our commitments to manage net zero aligned portfolios for specific clients.

Outcome

These videos and accompanying discussion sessions were mandatory for risk, implementation, portfolio management, and research analyst teams, but we believe this content is also useful for colleagues across the Investment Division, especially for those in roles that support our sustainable investing actions and strategies.

3.5 Alignment of incentives to integrate stewardship

Evaluation of sustainability issues and effective stewardship are a key objective for investment professionals globally. Senior portfolio managers are compensated based upon a combination of factors which encompass their success in delivering desired investment outcomes to clients, while effectively contributing to investment processes and providing suitable levels of stewardship of client assets. This includes the evaluation of sustainability and stewardship in evaluating and selecting sub-advisers, managing sustainability risks and exposures at the total portfolio level, and contributing to our active ownership programme. Portfolio managers' effective incorporation of these factors is explicitly measured, included in annual assessments, and linked to compensation.

In addition to senior portfolio managers, all associates with specific responsibilities for sustainable investing, stewardship, and climate change have annual performance goals aligned with the success of the integration of these topics. These goals include evolving our responsible investing and stewardship practices to be in line with global standards; collaborating with leading industry bodies to advance industry frameworks; driving our engagement practices; and research and development. Our aim is to enable the execution of robust stewardship practices that meet our clients' expectations. Success in meeting these goals is linked to remuneration.



4. Integration of Responsible Investing

- ✓ **UK Stewardship Code – Principle 2, 7**
- ✓ **Japan Principles for Responsible Institutional Investors – Principle 7**
- ✓ **The New Zealand Stewardship Code – Principle 3**

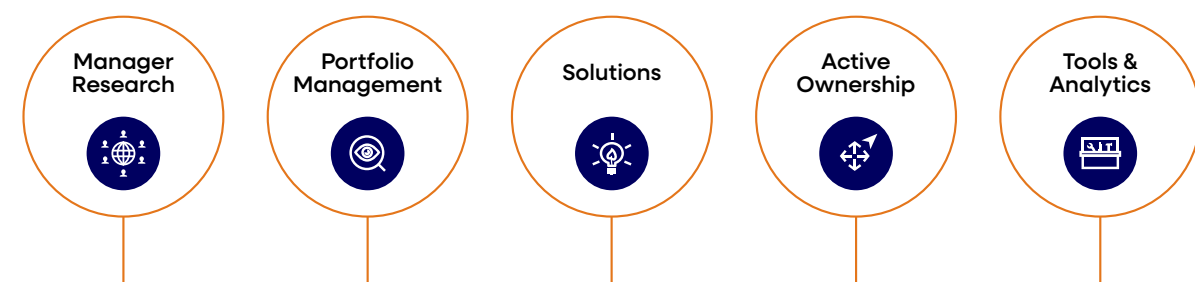
4.1 Our integrated approach to stewardship and investment

As a function of our integrated approach, material sustainability considerations and stewardship are woven into our standard investment practice at all stages of our investment process. Underpinning this work are the core elements of our approach highlighted in section 1: materiality, integration, transparency, and stewardship.

With these cornerstones in mind, our professionals understand the ways in which sustainability issues manifest in the financial performance of various investments across asset classes. Subject matter experts are embedded within our research, risk, analytics, quantitative, and portfolio management teams, and work in close coordination with dedicated responsible investing and active ownership personnel. They identify and act on material financial risks and opportunities and leverage all components of our investment toolkit to deliver carefully constructed solutions that meet clients' objectives.

Below, we describe how our investment capabilities systematically integrate stewardship and sustainability, including the consideration of material environmental, social, and governance issues, to support comprehensive client-focused solutions.

Exhibit 17: An integrated sustainability toolkit



Source: Russell Investments, for illustrative purposes only.

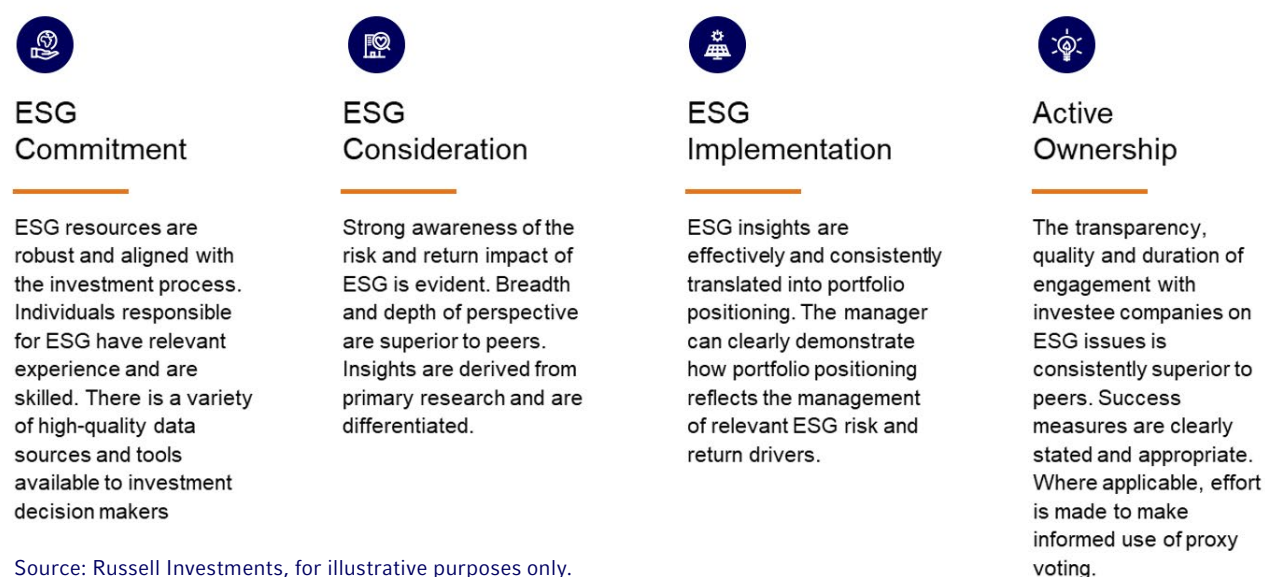
Manager research

We believe that all material sustainability considerations, including those with environmental or social sources, should be integrated alongside traditional assessments as a core component of overall strategy evaluation. Since 2014, our manager research analysts have systematically assessed how effectively investment managers incorporate sustainability insights into their investment processes. This evaluation is a standard element of our due diligence across all asset classes.

Our analysts leverage both qualitative and quantitative information, drawing on external research and data from providers such as Sustainalytics and MSCI, complemented by our proprietary tools. Additionally, insights from our Annual ESG Survey – which gathers input from active equity, fixed income, and private markets managers – help us measure industry-wide sustainability integration trends. We continuously refine our approach by incorporating new data sets across all asset classes, ensuring our analysis remains comprehensive and forward-looking.

Our ESG-related due diligence covers a wide set of sub-advisers' sustainability and stewardship activities, as described under the four sub-categories in Exhibit 18 below. The ESG sub-rank, which is shared with clients alongside our other sub-ranks, ranges from one to five, with a ranking of three considered consistent with the peer group average.

Exhibit 18: ESG sub scores



Source: Russell Investments, for illustrative purposes only.

Russell Investments' research analysts maintain ESG sub-ranks for nearly 1,750 strategies across all asset classes and geographies. Additionally, more than 400 manager strategies have been identified as incorporating a specific sustainability or ESG outcome as part of their investment process. In 2024, analysts held 85 meetings with strategies we classified as having a sustainable or ESG objective, and we added 3 to our recommended lists.



Case study: Manager ESG sub ranks

One key aspect of how we evaluate manager capabilities at Russell Investments is our ESG sub-rank. This metric is especially critical for strategies with a sustainable objective. In 2024, we assigned a high ESG score to a long-duration environmental thematic strategy that focuses on structural growth opportunities driven by companies offering environmentally impactful products and services. The following comments support the high ESG rank:

- The team's environmental objective (avoiding carbon emissions) is compelling. They combine quantitative and qualitative lenses to achieve differenced views of companies' product impact.
- The team's environmental objective for Hire rated products is differentiated relative to peers. Their environmental impact assessment is thorough and consistently informs their investment thesis and decisions. The team is adequately resourced and supported to achieve that objective.

Outcome

In April 2024, we added the strategy to our Global Sustainable buy list. This strategy demonstrated strong ESG integration, ranking above its peers based on our assessment.

Portfolio Management

The breadth and depth of our research into sustainability risks and opportunities and manager strategies has deepened our understanding of how these factors influence potential investment outcomes, providing greater transparency to portfolio managers and clients. While ESG ranks are assigned to all high interest and recommended strategies as part of our broader due diligence framework, they hold particular importance for strategies designed to achieve explicit sustainable objectives.

For mandates with explicit sustainable objectives, we ensure that portfolio managers select strategies with strong sustainability integration using Russell Investments' Intent, Process, Outcome (I-P-O) framework, a structured approach that assesses credibility across three dimensions:

- **Intent** reflects a strategy's philosophy and objectives, ensuring a commitment to sustainability outcomes.
- **Process** examines how consistently and effectively a manager integrates ESG and responsible investing practices at the fund level. A strong process is reflected in an above average ESG rank.
- **Outcome** evaluates the tangible ESG characteristics of a strategy, which differ by asset class but may include indicators such as target investment type, low ESG risk, revenue alignment, or low carbon emissions.

Through close collaboration and clear documentation, research analysts and portfolio managers use I-P-O to validate the sustainable objectives and capabilities of a strategy before inclusion in our multi-manager sustainable funds. Russell Investments' portfolio managers select active managers from among those ranked highly by our manager research teams. Analysts record their assessments, including ranks, in our global proprietary database, RADAR (Russell Investments Analysis, Data, and Ranks). Further details about RADAR and the way we hold managers accountable through due diligence are provided under section 4.4.



Case study: Replacing a non-ESG aware strategy with a new sustainable product

In 2024 our manager research team evaluated a new ranked high conviction strategy with depth in fundamental analysis and prudent portfolio construction. The strategy received an above average ESG rating from our research team. Assessment of financially material ESG drivers is embedded in the fundamental research process, with a focus on industry leading solution providers.

Outcome

We hired the sustainable strategy into the portfolio of a client seeking enhanced sustainability awareness. The manager line-up change added one dedicated sustainable manager and increased allocation to active sustainable strategies. The change is expected to enhance excess returns and improve performance consistency over the long term.

Portfolio managers are the frontline in managing sustainability risks across our investment solutions, whether through our active manager review process or by implementing proprietary solutions. In both cases, we combine deep analysis and practical experience. At Russell Investments, we apply a structured process known as 'Enhanced Oversight' (EO) to assess sustainability risks in funds, evaluating broad sustainability themes as well as specific securities identified from:

- **Proprietary quantitative analysis:** We actively monitor high and material sustainability risks at the company and total-portfolio level.
- **Sub-adviser insights:** We explicitly direct our sub-advisers to highlight financially-material sustainability issues relating to their holdings and explain how these issues are accounted for in their investment thesis.
- **Independent third-party research:** We leverage external ESG research providers for company-specific and thematic sustainability insights to complement our internal analysis.

EO delivers granular insights into portfolio exposures without relying on a rigid 'checklist' approach, ensuring that risks are assessed in a way that recognises their breadth, complexity, and evolving nature.

For each Russell Investments managed fund or segregated portfolio, enhanced oversight may result in the following actions for certain holdings, with consideration of the impact of risks at the total portfolio level:

- Reviewing of metrics and the research behind the metrics.
- Discussion with the sub-adviser supporting the holding.
- Discussion with the Active Ownership Team to consider engagement options.



Case study: How Enhanced Oversight contributes to engagement

Through the quarterly Enhanced Oversight process, three different managers provided assessment on the sustainability related risks and opportunities for an emerging market metals and mining company which was held in numerous Russell Investments' funds.

Our portfolio managers communicated with the Active Ownership Team (AOT) that the company was a high priority for engagement due to its high exposure across funds. Russell Investments' AOT had previously engaged with the Company through our relationship with Sustainalytics, and as such was able to make swift connection with the Company to discuss the identified concerns.

The engagement had a positive outcome and the AOT and portfolio management teams were able to reconnect with our various managers and share insights as well as feedback from the engagement. This feedback was then reflected in future risk assessments for this company.

Outcome

By integrating our managers' insights into our engagement process, the Active Ownership and portfolio management teams together determined that an engagement was needed to correctly assess the long-term risks this holding company might pose within our portfolios. This process showcases that our oversight of manager sustainability risk assessments can lead to engagement with our holdings companies, to the mutual benefit of Russell Investments, our managers, and our clients.

While EO was first developed and deployed as a tool for sustainably focused equity funds, the concept has been adapted and applied across all asset classes and portfolios. Our fixed income portfolio managers assess bond-specific characteristics (e.g., our total market-value exposure, the duration remaining to maturity, and credit rating) alongside traditional environmental and operational risk metrics (Sustainalytics ESG Rating, ESG controversies, and MSCI Carbon score), and work with sub-advisers to integrate the risks highlighted.

Meanwhile, our private markets team sources proprietary ESG reporting and data directly from sub-advisers under review and in funds. Materials can include our completed ESG DDQ (Due Diligence Questionnaire), the sub-adviser's ESG policy, and any other ESG reporting, such as the Institutional Limited Partners Association (ILPA) or Data Convergence Project templates. If sustainability risks are identified, our private markets portfolio managers encourage improved practices and/or reporting.

Quantitative research and solutions

Decades of proprietary quantitative research have led to the development of unique tools and investment solutions that complement our core competencies manager research and selection. Our quantitative research agenda is tailored to address challenges faced by clients and reflect an ongoing commitment to enhance our proprietary ESG and climate-aware strategies. Portfolio managers can utilise a combination of techniques and solutions to manage portfolio exposures and outcomes, such as portfolio tilting and overlays that fine-tune exposure to carbon metrics and other sustainability outcomes.

We have developed and implemented several capabilities to support systematic climate and sustainably focused solutions including:

- **Reducing ESG risk:** We refine off-the-shelf ESG scores built for a wide range of uses to focus on financially material ESG issues for use in our proprietary ESG strategies. Russell Investments' proprietary Material ESG Score utilises Sustainalytics, SASB's Materiality Map, corporate governance scores, and environmental data from multiple providers, with an emphasis on forward-looking information where available.
- **Enabling decarbonised portfolios:** Since our first deployments a decade ago, we have delivered successive improvements to our portfolio decarbonisation techniques. For example, for today's solutions we minimise unintended outcomes, such as reduced exposure to renewable energy and/or an increase in ESG-related risk, by incorporating consideration of climate solutions revenues.
- **Implementing targeted exclusions:** We implement a wide range of thematic and custom exclusion lists for clients and funds, keeping performance and client-specific risk parameters in mind.
- **Climate risk analysis and reporting:** To enhance understanding of climate risk and support reporting needs, we leverage a third-party climate risk model provider. Value at risk data and climate scenario analysis generated by this platform inform in-house climate analysis as well as portfolio and client reporting.
- **Enhancing exposure to sustainability solutions:** We have evolved beyond simple de-risking to develop the Sustainable Transition Universe, a systematic framework that identifies investments with positive environmental and social impact while balancing trade-offs. This approach enables us to construct sustainability-focused multi-manager portfolios with a Completion Portfolio framework, ensuring rigorous sustainability standards while managing factor and sector biases at the total portfolio level.



Case study: Targeted exclusion lists

Russell Investments regularly applies both standard and custom exclusion lists to align with client risk and exposure preferences. In 2024, we updated our exclusion definitions for tobacco and controversial weapons to reflect best practice and guidance from the Responsible Investment Association Australasia (RIAA).

The revised tobacco exclusion applies to companies that derive revenue from the manufacture of tobacco products or nicotine alternatives (including through subsidiaries). The updated controversial weapons exclusion applies to companies involved in the production of core weapon systems or components/services that are tailor-made and essential for the lethal use of controversial weapons.

Outcome

As always when considering new lists, product and portfolio management professionals collaborated to ensure that updates can be accomplished within the expected risk and return parameters of the fund. The evolved lists meet RIAA's criteria and resulted in greater consistency across the relevant suite of funds.

Tools and analytics

Our investment decisions are supported by a constantly improving data and analytical toolkit. Sustainable investing SMEs, quantitative analysts, technology experts, and investment professionals regularly collaborate with in-house developers to maintain a technology-enabled approach. In section 2.5, we shared details of tools, such as the Net Zero Dashboard, that support climate-aware investing capabilities; here we demonstrate how ESG data, analysis, and tools form inextricable components portfolio management and engagement efforts.

Throughout our portfolio management processes, quantitative analysis is used wherever data is available and robust, particularly in equities where our primary data sets include Sustainalytics' Risk Rating, Carbon Footprint, and Russell Investments' Material ESG Score. Our primary portfolio analysis tool is called PARIS, an acronym for Portfolio Attribution and Risk Information System. In 2024, we undertook an upgrade of the PARIS sustainability data page, as described in the case study below.



Case study: Enhancing sustainability data for portfolio analysis and risk assessments

Outcome

In 2024, we completed a project which enhanced the sustainable investing analytical functionality and user experience of our portfolio attribution and analytics platform, PARIS. The project enabled portfolio managers to better understand the interconnectivities between different types of data used in sustainable investing analysis and apply that to our risk management processes.

For example, by placing data points related to corporate controversies near data points assessing a company's governance practices, portfolio managers were more readily able to assess if a specific holding was contributing a higher risk to their portfolio due to mismanagement or weak internal controls.

The project coincided with additional training for our portfolio managers on how to best utilise the data available in PARIS while conducting both portfolio and security level analysis across sustainable investing issues.

To share sustainability-related insights across teams, Russell Investments uses a proprietary platform called ENACT. The name ENACT was drawn from the combination of two of our critical responsible investing practices: Enhanced Oversight and Active Ownership. ENACT allows investment team members to record and access the insights that are gathered during sub-adviser oversight (including EO) and from engagement activity.

Critically, ENACT maps an issuer's securities across funds, enabling coordination between fixed income and equity experts, and it serves as a timeline and progress marker for our engagement objectives. We believe that setting and tracking explicit engagement objectives is key to an effective programme, and we were early in implementing a process and tool for this.

We continue to evolve ENACT by adding data and enhancing its functionality. For example, in 2024, we enhanced the graphics and demographic reporting available in ENACT to better align to our clients' reporting needs. This enabled more efficient and outcome-driven reporting across our departments.

While we have built proprietary ESG models, tools, and undertake our own sustainability-related research, we draw on the analysis of data and materials produced by our sub-advisers and subscribe to a wide variety of data sets from various providers. Further information on the processes in place to ensure service providers support integration of stewardship and investments is provided under section 4.4.

Active Ownership

As part of our stewardship activities, we aim to engage with companies on overall business strategy, capital allocation, and governance and sustainability practices, while encouraging appropriate levels of risk mitigation. In addition, we promote transparency to support informed decision-making and well-functioning financial markets by engaging specifically on ESG disclosures. While a number of criteria guide our selection of engagement opportunities, our evaluation of a company's sustainable risks is couched in its industry context, through the use of peer-relative metrics and qualitative comparisons.

Additional information regarding our proxy voting and engagement actions during 2024, as well as our plans to further strengthen Russell Investments' active ownership function going forward, are detailed in the Active Ownership segment, section 5 below.

4.2 Our risk management programme

✓ **UK Stewardship Code – Principle 4**

✓ **Japan Principles for Responsible Institutional Investors – Principle 6**

✓ **The New Zealand Stewardship Code – Principle 3**

In order to identify threats to financial security and manage them for the benefit of investors and the broader market, we have developed a robust, multi-layered approach to risk identification and response. This approach seeks to stay vigilant to all sorts of risks, both operational and financial, as well as formulate careful responses to threats that impact our business, our clients and the broader market and society.

Identifying and responding to systemic risks: Framework and key elements

We operate an independent risk management programme through an organisational unit called Global Risk Management (GRM). Consistent with best practices and regulatory requirements, GRM is independent from both manufacturing and go-to-market functions.

GRM's basic framework is to identify, measure, monitor, and communicate, along with the supporting concepts of integration, insight, and challenge. Important elements in GRM's risk framework include:

- **Risk matrix:** The purpose of this matrix is to identify and inventory key risks for each of Russell Investments' businesses, along with the drivers of these risks.
- **Risk measurement:** Multiple risk measurements are required in most instances to get a detailed 'read' on risks.
- **Five lines of defence:** Russell Investments has adopted a 'five lines of defence' protocol to reinforce each associate's role in the risk management process. These are (1) Board Oversight, (2) Executive Management, (3) Internal Audit, (4) Risk Management and Compliance and (5) Business Units. Each of these have established and reinforced responsibilities for the identification and management of risk.
- **Risk governance:** GRM has implemented a risk governance structure which has been integrated into other Russell Investments' governance structures.
- **Risk appetite:** The idea of a risk appetite must be considered from multiple perspectives because some risks are borne by Russell Investments and others by its clients. Key dimensions of this are 'principal versus agency risk' and 'buy versus sell side exposures'.
- **Risk assessment:** GRM conducts formal assessments via its annual Enterprise Risk Assessment and targeted risk reviews. Informal assessments occur continuously. These assessments are used for multiple purposes such as escalation when appropriate, development of remediation plans, and input to the annual audit plan.
- **Organisation and specialisation:** GRM's organisational arrangements includes three specialised risk teams: credit, investment/market, and operational risk. The Operational Risk Team is also responsible for the insurance programme and business continuity. Functional teams are supported by several regional associates.

Key risk categories and response mechanisms

Different categories of risk require discrete tools and processes to identify, examine and respond to risks in the course of an evolving market and operating environment. The GRM function is organised around the management of Investment Risk, Credit Risk, and Operational Risk with appropriate tools, expertise, and attention applied to each, the details of which are explained below.

Investment risk

The Investment Risk Management (IRM) team measures and monitors market and liquidity risks. IRM operates a granular multi-asset enterprise risk system consisting of internally developed and industry leading third-party market risk models. IRM-developed proprietary components extend and enhance the capabilities. Investment Risk is always modelled at the total portfolio level, and not by individual asset classes.

The investment risk process is rooted in risk identification and measurement. Effective evaluation of investment risks involves assessment across three key pillars:

- **Market risk:** The risk of change in the market value of investments and/or level of earnings due to movements in market prices. Market risk calculations must consider changes in equity and commodity prices, interest rates, exchange rates, implied volatilities, and inflation.
- **Exposure measurement:** Quantifying exposures across key investment risk dimensions (i.e., country, currency, asset type, GICS, and credit rating) provides a non-model-based view into investment strategy. Investment risk arises when there is a mismatch between stated strategy and actual exposures taken.
- **Liquidity risk:** Arises when assets are needed to meet liabilities or other needs but cannot be readily converted into cash without an onerous discount in value. Two types of liquidity risks need to be considered:
 - Market liquidity risk is the potential adverse price impact due to illiquidity on a particular security.
 - Funding liquidity risk is the potential for adverse impacts due to portfolio dealing terms and/or redemption activity (behaviour) of an investor.

Credit risk

Russell Investments' Credit Risk Management Team independently reviews issuers and counterparties and performs ongoing monitoring of their financial strength. A Rating Committee assigns an internal credit rating to each issuer and counterparty.

- **Exposure monitoring:** Credit Risk Management applies a risk-based approach to monitoring credit exposures. Consistent with Russell Investments' five lines of defence, the business unit bears primary responsibility for monitoring and managing credit exposures.
- **Governance:** An approved list of counterparties and their corresponding internal ratings is maintained and updated as needed. The results of both the initial and periodic reviews are presented to the Rating Committee. Russell Investments' Credit Risk Management Committee (sub-committee) of Russell Investments' Global Risk Management Committee ratifies counterparties and issuers on Russell Investments' approved list.
- **Approved list:** Russell Investments' portfolio managers and traders may only use issuers and counterparties on the approved list maintained by Credit Risk Management.

Material ESG criteria inform our credit evaluation. For example, our opinion on the fundamental strength of a counterparty reflects diversification of its business model and considers a company's ability to sustain itself in the event of a severe shock due to environmental related issues. We also consider how well a company manages its relationships with its workforce, the society in which it operates, and its political environment. Lastly, in scoring a counterparty's management team, we consider the make-up of a counterparty's board, its strength, independence, and its effectiveness of decision-making and oversight, and we address any regulatory, tax or legal violations, among other disclosures. We may score more favourably companies that are taking a proactive role when incorporating sustainable practices.

Operational risk

Operational Risk Management (ORM) focuses on identifying, assessing, and monitoring operational risks.

Russell Investments uses a multi-element risk identification approach which operates on the premise that the recognition and measurement of risk needs to occur on both a proactive and reactive basis. Our longstanding formal escalation protocol promotes timely communication to senior management, enabling changes (i.e., enhancements to controls) to be made when necessary. Russell Investments employs a disciplined event capture approach with results reported through the risk governance structure. Ongoing monitoring, as well as targeted risk reviews and risk profiling, provide a basis for insights as to how risks are changing in response to market conditions and the evolution of strategy and portfolio composition.

- **Governance:** Russell Investments maintains an Operational Risk Committee which is a sub-committee of the Global Risk Management Committee. Chaired by the Global Head of Operational Risk, the Operational Risk Committee is responsible for the oversight of operational risks inherent in Russell Investments' global businesses and legal entities, including people, process, technology, third-party, regulatory, and reputational risks. The Operational Risk Committee and Regional Risk Committees assist the Global Risk Management Committee in its oversight of Russell Investments' operational risk governance structure, operational risk management framework and policies, and operational risk exposure.
- **Event escalation:** All events are required to be reported to the associate's manager and Regional Risk Officer in accordance with the Firm's global event escalation policy. Depending on the severity and type of event, the escalation process could include the Global Head of Operational Risk, the Chief Legal Officer, Global Chief Compliance Officer, Chief Operating Officer, and other Executive Committee members, as well as the CEO. Regulatory and compliance breaches are reported to the relevant regional compliance officer and regulatory authority, if necessary.
- **Business continuity:** The Business Continuity (BC) team works closely with global and regional business units to develop appropriate plans. Each business continuity plan documents key processes and applications, and covers recovery time objectives and alternative procedures in the event of a loss or outage. Each business unit validates its business continuity plan periodically through a combination of annual review, tabletop scenarios, and integrated disaster recovery exercises. The Business Continuity group provides periodic programme status updates to the Operational Risk Committee.

Enterprise risk assessment

Each identified event is given a rating across two dimensions, namely likelihood and severity. For 2024, the risk categories evaluated for the Enterprise Risk Assessment (ERA) were as follows:

- | | |
|--------------------------------|-------------------------------|
| ○ Strategic Risk | ○ Legal |
| ○ Investment Risk | ○ Data |
| ○ Operational Risk | ○ Model |
| ○ People Risk | ○ Cybersecurity & Policy |
| ○ Regulatory & Compliance Risk | ○ Technology & Infrastructure |
| ○ Third-Party | ○ Natural Hazards |
| ○ Fraud | |

Our ERA also incorporates an enterprise-level assessment of climate change effects, including from physical and transition risks. Further information in relation to our approach to tackling climate risk is provided in section 4.3.

Once risks/events are identified, steps are taken to evaluate whether these risks should be monitored and/or mitigated. Where required, this may include recommending new risk monitoring procedures or changes in portfolios to track or address the potential impact of the risk.

Sustainability risks policy

Russell Investments maintains a Sustainability Risks Policy that outlines our commitment to identifying, evaluating, and managing relevant risks across our investment manager review process, portfolio management, and the implementation of proprietary solutions. Our efforts consider financially-material sustainability risks in the context of expected rewards, drawing on a range of inputs including investment managers, third-party data sources, and Russell Investments' propriety analysis. For customised mandates, we design and implement tailored sustainability risk management strategies and explicit controls, while for advisory clients we collaborate on methods to consider, monitor, and manage sustainability risk priorities in their portfolios.

Developing a deep understanding of portfolios' financially-material sustainability risks and how they are identified is an explicit objective for all Russell Investments' portfolio managers. Our process for ensuring this happens, called "Enhanced Oversight", is described in section 4.1.

4.3 Addressing market-wide and systemic risks: climate change

✓ **UK Stewardship Code – Principle 7**

✓ **Japan Principles for Responsible Institutional Investors – Principle 1**

✓ **The New Zealand Stewardship Code – Principle 3**

The challenge

Russell Investments formally endorsed the Task Force on Climate-related Financial Disclosure (TCFD) in 2019 in recognition that climate change is a monumental challenge to the global economy and that without reliable climate-related financial information, markets cannot accurately price climate risks and opportunities. Incorporating climate-related risk management strategies into the financial system is a crucial first step to pricing risk and directing capital flows needed to meet global ambitions for the energy transition. The recommendations provide a useful and common framework to increase transparency within financial markets. Our [2024 TCFD Report](#) is available on our website.

Our vision

We pride ourselves on partnering with clients to meet their climate objectives. Through our stewardship programmes, and as active investors, we promote the TCFD's recommendation for companies to provide effective climate-related disclosures that enable more informed financial decision-making. We advocate for companies to have board-level oversight and governance of climate change impacts. We also hold ourselves accountable for providing transparency around our own investments and operations. We are committed to driving progress.

Progress to date

We have made considerable progress incorporating climate change considerations into our business. In our TCFD Report, we outline key climate-related risks and opportunities, and assess them using metrics and scenario analysis in accordance with the recommendations of the TCFD. We share policies developed for formally and systematically addressing sustainability risks and describe the evolving practices by which we integrate climate awareness into our investment process. We believe that active ownership is an important lever for delivering investment outcomes and is also one of the most effective tools at our disposal to effect change.

Progress to date has included enhancing processes for climate risk and opportunity identification, assessment, and management in the following ways:

- **Establishing appropriate governance:** Establishing governance around climate risks, including development of a technical working group tasked with the oversight of our climate risk model and the expansion of climate risk metrics to our risk management dashboard.
- **Extending quantitative research:** Expanding the depth of our quantitative risk assessment capabilities for transition and physical risk, including the addition of location-specific physical risk assessment capabilities.
- **Policy development:** Enhancing the process through which climate risk is managed in portfolios, as detailed in our Climate Risk Policy. The key elements of this policy direct investment professionals to leverage data, sub-adviser insights, and in-house expertise to identify and manage sustainability risks.
- **Active ownership:** Engaging with investee companies on the topic of climate change risk and natural capital, with over 70% of our corporate engagements covering environmental issues in 2024. This includes all avenues of engagement encompassing Russell-led engagements and third-party partnerships.
- **Solution development:** Managing carbon reduction portfolios, as we have done since first launching low carbon strategies in 2015, with a track record of enhancements to our approach as best practices and data evolve.

In recognition that tackling climate change requires global coordination, we emphasise collaborative action including:

- Aligning with other investors to encourage comparable disclosures and consistent regulatory frameworks, which is a necessary step to improving the availability and quality of data.
- Engaging collectively with systemically important emitters as a powerful tool for addressing systemic risk, as detailed in section 5.1 of this report.
- Sharing best practices across industry practitioners to facilitate information sharing and collective knowledge building. This includes collaborations with, and support for, the Institutional Investors Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI), among others. These are described in section 6.3.

Identification of climate-related risks and opportunities

The first step in managing climate-related risks in investments is identifying them. There are many mechanisms through which climate-related factors impact security prices, but these risks can be broadly categorised as transition or physical risks. We recognise that different risks are likely to manifest over different time horizons and that they require different tools to assess, as outlined below.

Exhibit 19: Snapshot of the climate risk identification and assessment process

RISK OR OPPORTUNITY IDENTIFIED	DESCRIPTION	EXAMPLES OF ASSESSMENT TOOLS	MOST RELEVANT TIME HORIZON
Transition Risks & opportunities	Risks arising from shift to low carbon economy	Scenario analysis (esp. transition scenarios), metrics	Medium term
Changes in cost	Price on carbon, costs of abatement	Carbon footprint metrics	Short and medium term
Changes in demand	Demand destruction and creation arising from shifts in demand	Scenario analysis (esp. transition scenarios), metrics on green revenues or climate solutions, exposure to potentially stranded assets	Short and medium term
Physical Risks	Physical risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns	Scenario analysis, (esp. hot house world scenarios)	Long term
Acute	Increased severity of extreme weather events	Scenario analysis (esp. hot house world scenarios), asset-level risk mapping	All but increasing severity long term
Chronic	Changes in weather patterns, rising temperatures, rising sea levels	Scenario analysis (esp. hot house world scenarios), estimated sensitivity to productivity impacts, heating/cooling days	Medium and long term

Source: Russell Investments, for illustrative purposes only.

Climate risk is characterised by a longer time horizon than many traditionally managed risks. To make this more explicit, we refer to short-to-medium-term horizons, in the climate context, as a three-to-ten-year horizon, and a long-term horizon as the period out to 2050, although we note these are rough approximations only.

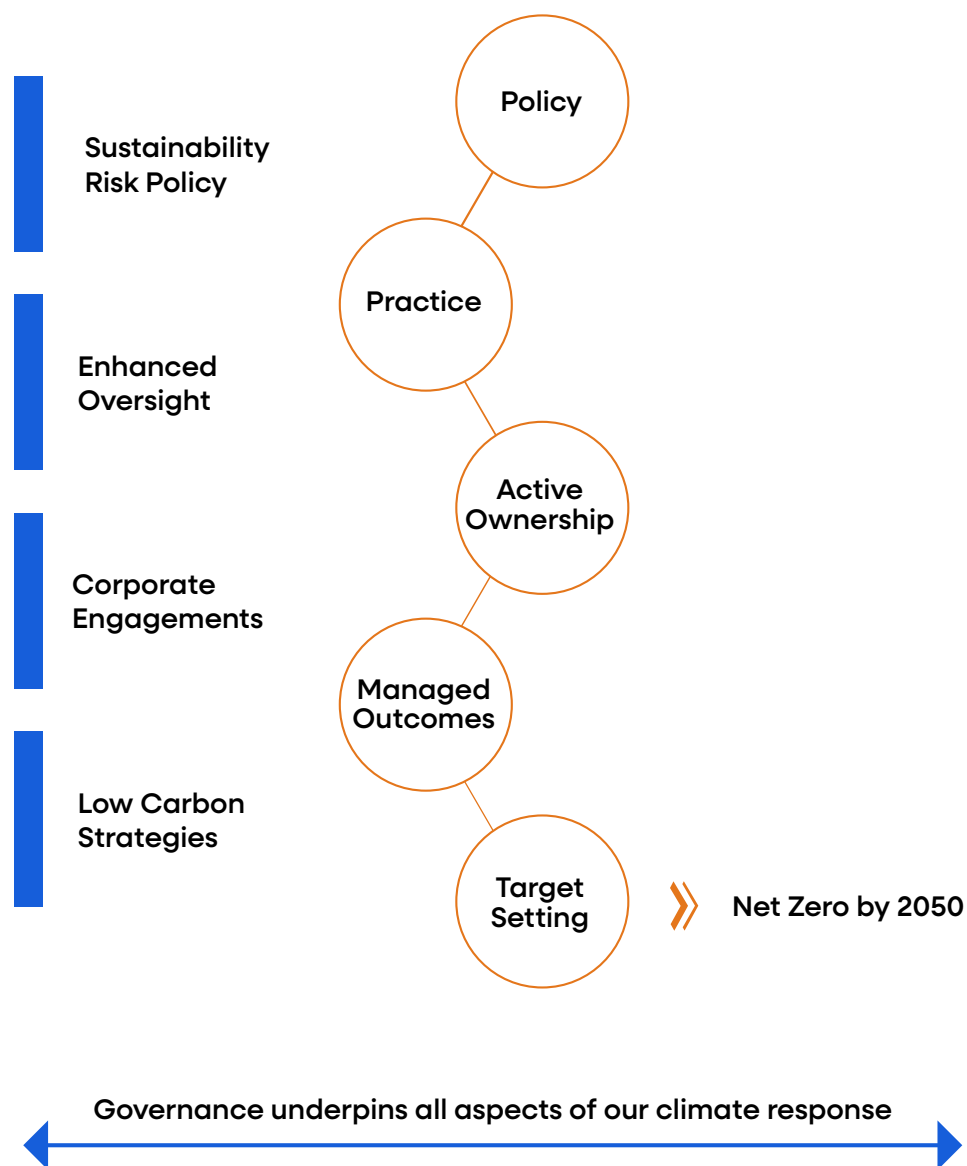
Assessment and management of climate-related risks and opportunities

On an annual basis, we provide an assessment of our global portfolio against metrics and scenario analysis in accordance with the recommendations of the TCFD. Following identification and assessment of climate-related risks and opportunities, we turn to management. Portfolio managers are the first line of defence in managing portfolio risks, and management of climate risk is no different. We believe embedding deep expertise and awareness of sustainability risk within investment teams is key to fully integrating climate risk management into our process. As detailed in this report, our practices include our enhanced oversight and active ownership programmes, where climate-related considerations play a pivotal role.

Supplementing these firm-wide practices, we continually enhance our approach to carbon-managed portfolios for clients and funds that want to build in more explicit climate-related outcomes. For a subset of clients and funds, we set and manage to forward-looking net zero targets. Taken together, we adopt a multi-layered approach to managing climate issues including formal policies, practices, engagement and carbon managed portfolios and target setting.

Despite considerable progress, we know this is the beginning of a long journey for our organisation and the global investment community at large when it comes to tackling climate risk in portfolios. Our commitment involves rapidly raising knowledge across teams, building new capabilities, and setting ambitious targets around what it means for our portfolios to be aligned to a net zero by 2050 objective, always with a client-first, fiduciary focus. We are expanding our coverage of active managers with a focus on climate considerations and sustainable strategies more broadly, and we continue to seek out data sets that provide valuable insight into the climate exposures of our portfolios.

Exhibit 20: A multi-layered approach to our climate response: key pillars



Source: Russell Investments.

Please refer to our annual [TCFD report](#) for additional details on how we identify, assess, and manage climate-related risks and opportunities.

4.4 Our approach to monitoring service providers

✓ **UK Stewardship Code – Principle 2, 8**

✓ **Japan Principles for Responsible Institutional Investors – Principle 8**

✓ **The New Zealand Stewardship Code – Principle 4**

Our multi-manager business strategy requires the oversight and monitoring of external asset managers that we employ in our investment portfolios. We also rely on third-party providers to support our active ownership practices. Furthermore, we count on a host of additional third-party vendors to ensure the overall efficiency of our core services for clients. A description of how we hold each of these three categories of service providers accountable is provided below.

External managers

Due diligence on external managers prior to their inclusion within our funds and portfolios is conducted at two levels by specialist teams that are independent of each other:

- Manager research analysts who sit within the Investment Division (ID) and evaluate and monitor from an investment perspective, and
- The Global Manager Operational Due Diligence (GMODD) group within the Global Risk Management (GRM) function, which is independent of the ID.

We believe that it is important from a risk and compliance perspective to separate the operational due diligence function, which reports up to our Chief Legal Officer, from the investment due diligence function, which reports up to our Global Chief Investment Officer. This operational review is particularly pertinent within alternative and unlisted asset classes, such as hedge funds and private market investment strategies, where transparency is lower.

The combination of our investment research and our operational due diligence research on managers aims to achieve objectives and minimise negative surprises for our clients. We have had success in avoiding managers that have exposed investors to headline, operational, and portfolio risks. A description of each type of research is provided below.

Manager research due diligence

Russell Investments has an experienced team of approximately 31 analysts engaged solely in the manager research process. Each year, our research analysts conduct approximately 1,800 research meetings and conference calls with investment managers. These evaluation sessions are our primary means of gathering information to arrive at an informed opinion about a manager's product(s). Our assessments, gained from multiple sessions over time, allow us to establish an overall opinion of the organisation and its investment strategies. Our analysts are responsible for pre-meeting analysis of the product (meeting preparation that includes a historical review of prior meetings and analysis of the strategy), and for conducting the research meetings. Analysts supplement these meetings with regular contact with managers in their universe, through phone calls, emails, and less formal update meetings as required.

As part of our evaluation process, we conduct a qualitative and quantitative assessment. We score managers against a detailed framework that captures the key inputs to a robust investment process, and we undertake quantitative analysis of each strategy's performance patterns, attribution, and outcomes. A sampling of the inputs can be described as the following:

Exhibit 21: A qualitative and quantitative evaluation

QUALITATIVE ASSESSMENT

Organisation	Stability, ownership, and incentives
Team	Dynamics, diversity, and motivation
Experience	Skill and stability of personnel
Capital markets case	Conceptual basis for philosophy
Research	Depth and alignment
Decision-making	Accountability and efficiency
Security Selection	Use of security-level characteristics
ESG	Insights, portfolio implementation, and active ownership

QUANTITATIVE METRICS

Portfolio construction	Effects of portfolio turnover
Consistency with philosophy	Magnitude of risk assumed/tracking error
Stability through time	Sources of relative performance
Ability to manage sizeable accounts	Liquidity analysis
Absolute and risk-adjusted performance vs. broad manager universe	Style indexes

Source: Russell Investments. For illustrative purposes only.

In addition to the above factors, we have identified a variety of proprietary attributes of successful managers that are unique to given styles of management. Analysts are charged with making relative assessments of managers within their respective styles, to better discriminate among manager choices. The results of our manager research efforts are captured in our global proprietary database, RADAR, which we believe is one of the largest and most comprehensive manager tracking databases in the world. Developed in-house, RADAR is our primary repository for research reports generated on the products of investment managers globally and includes over 16,000 current manager products.



Case study: Annual manager ESG due diligence questionnaire

Since 2014, Russell Investments has requested information from high-interest external investment managers on the integration of responsible investing practices into their investment processes. In 2024, we produced our 10th Annual Manager ESG Survey, which offers a deep dive into the global trends shaping sustainable investing. By gathering insights from investment managers across the globe, this survey has become a critical tool for understanding the evolving landscape of sustainable investing. These insights not only inform our due diligence efforts, but also form a guide by which we promote best practices in sustainable investing. Some insights from the 2024 survey are described below.

Respondent breakdown

In 2024, nearly 225 investment managers participated in the survey, representing a broadly diversified portfolio of asset classes and markets. The survey also captured responses across both large and small asset managers, with 33% managing more than \$100b in assets, and 31% managing less than \$10b. Notably, managers were split almost evenly between the U.S. and international domiciles, with 23% based in the EMEA region, and 13% from APAC. Equity solutions were offered by 80% of respondents, while 52% provided fixed income solutions, and 26% managed listed real assets. One notable difference in 2024 was greater private markets representation, with 44% of respondents offering unlisted products, an area receiving increased attention from investors.

Expanding ESG commitments amid political pressures

Despite political and legal challenges in the United States, investment managers have maintained – and in many cases, expanded – their responsible investing commitments. Notably, 87% of survey respondents remain committed to the Principles for Responsible Investment (PRI), extending its status as the gold standard for sustainable investing.

Adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) framework grew to 59%, a slight increase from last year. This figure is expected to rise further as more countries, led by the UK, begin mandating TCFD reporting. Regional and sector-specific frameworks, such as the Institutional Investors Group on Climate Change (IIGCC) in Europe and the Global Real Estate Sustainability Benchmark (GRESB), also maintain strong relevance amongst managers responding to our survey.

There was a notable dip in indicated support for Climate Action 100+, as our survey reflects the announced departures of several U.S.-based and fixed income-focused asset managers.

ESG hiring held steady

While the hiring boom for ESG professionals had slowed, investment managers were still adding ESG specialists across various roles. 75% of respondents reported increasing their dedicated ESG headcount, particularly within sustainability teams. This brought the proportion of firms with dedicated ESG staff to 69%, up from 55% in 2021, and it underscores the rising significance of ESG expertise in shaping investment decisions.

Sustainability roles are increasingly spanning data analytics, compliance, risk management, and legal departments. This trend underscores the mainstream nature of ESG-aware investing, as regulatory requirements and client expectations continue to evolve.



Case study: Annual manager ESG due diligence questionnaire (continued)

Financial materiality

Very few concepts in our survey receive near universal agreement, but the most notable and steady shift in opinion has occurred in response to a question about when ESG factors affect investment decisions. In 2024, only 3% of respondents indicated “ESG factors do not drive investment decisions”, a sharp decline from 28% in 2020.

This reflects the increasing recognition of how governance, environmental, and social issues affect asset performance. Risk reduction remains the primary driver of ESG-informed investment decisions, cited by 27% of respondents, while 19% indicated that ESG factors can enhance returns.

Hurdles to integration

Despite progress, challenges remain in incorporating ESG information into investment processes. Reflecting ongoing issues with data availability and standardisation, “lack of data/ poor quality data” emerged as the top obstacle after it was added as a new answer choice, “unclear valuation impact” and “serving varied client interests” were also commonly cited.

Emerging ESG strategies

For the first time, the survey asked managers about their thematic and impact strategies. While 33% of firms do not currently offer impact products, those that do have embraced a range of themes, including alignment with the UN Sustainable Development Goals (SDGs), energy transition, and social impact initiatives.

Products trends

We asked firms about the equity ESG products generating the most interest and asset growth over the past year, and the results are clear: ESG-integrated mandates are the frontrunners globally, with up to 67% of respondents in EMEA, Canada, APAC, and the U.S. favouring these strategies.

However, regional differences emerge. In EMEA (44%) and the U.K. (47%), sustainability and thematic mandates are gaining traction, highlighting a focus on specific issues like climate change and social responsibility. Net zero-aligned mandates remain niche, with 22% interest in EMEA, but only 5% in the U.S. and 6% in the U.K., indicating a regional focus on net zero goals.

Finally, negative/exclusionary screen-based mandates are popular in China (67%), while Australia/New Zealand and Continental Europe show similar preferences. In contrast, the U.S. and U.K. lean more toward positive screening and integration strategies.

Looking forward

As ESG investing continues to evolve, this survey highlights the resilience of investment managers in maintaining and expanding their sustainable investing capabilities and solutions. The rise of thematic and impact investing, alongside the financial materiality of ESG information, points to a future where sustainability and profitability go hand in hand.

Global manager operational due diligence

The Global Manager Operational Due Diligence (GMODD) team's operational due diligence (ODD) review involves evaluating the business, compliance and operational risks and controls of third-party managers that may materially impact Russell Investments, its funds, and clients. A thorough ODD review is based upon discussions with key principals and employees of the manager, observations of their business practices, and an appraisal of various documentation and representations disclosed by the manager. When conditions allow, an onsite meeting in the office is also prioritised. The key areas analysed include:

- **Business risks:** ODD reviews a firm's business structure and vendor oversight, strategic planning processes (including organisational growth), governance, management oversight and supervision, along with the firm's IT infrastructure, cybersecurity and business continuity planning.
- **Compliance:** a review of this area considers the firm's compliance monitoring and reporting, personal trading policies, gifts and entertainments and conflict of interest policies, compliance with regulatory agencies, personal information security, and record retention.
- **Operational risks:** it is important to examine the manager's trade processes, from execution and counterparty oversight to settlement and reconciliation, along with guideline compliance, allocation policies, and cross trades. This area also includes an analysis of the manager's soft dollar and directed brokerage policies and its resolution process for trade and operational errors.

ODD involves a different skill set to that needed for performing investment due diligence. We believe that it is best conducted by professionals with strong backgrounds in global regulations, trading, operations, and business risks. The outcome of an ODD review can have clear red or green flags. In formulating an opinion, the ODD reviewer will consider:

- **Consistency:** were all the documents and verbal assertions consistent with each other and with expectations?
- **Transparency:** did the manager provide documents in a timely way and allow access to the key people and systems during the onsite visit? Were the reviewers allowed an open dialogue with the firm's service providers?
- **Firm infrastructure:** does the firm have a tight control environment with sufficient systems and knowledgeable support staff to support the products they are managing?
- **Manager reputation:** did all the background checks come back clean?

Absent clear red flags where an ODD review will recommend that an investor avoid allocating funds to a specific money manager, an investor may still decide to invest with a manager with some deficiencies. The value of the ODD report is that the investor is aware of these deficiencies, and is able to monitor them and work with the money manager to increase their controls in the areas where specific weaknesses have been identified.

ODD is not a new concept. We have built a global team of analysts dedicated to conducting reviews of the risks outside of managers' investment capabilities. These analysts follow our ODD process, helping shape the way Russell Investments ranks money managers and the decisions for recommending, hiring, or terminating managers.

ODD can help investors to understand the additional risks to money managers' businesses beyond the investment risks, ensuring a more holistic assessment of managers' capabilities. ODD is not just a process to be followed when hiring a manager. We undertake reviews of these risks on an ongoing basis, as a manager's business evolves.



Case study: A 2024 operational due diligence review

In March 2024, the GMODD team conducted an onsite ODD review of a small hedge fund manager. Where deficiencies are found, based on tested ODD criteria, recommendations are provided, as well as assistance to address the identified issues.

Outcome

The review resulted in a Deficient (not hireable) rating based on the lack of segregation of duties between Compliance and Trading functions. The individual responsible for the Compliance function was also authorised to trade and served as the backup Trader. The combination of Compliance and Trading responsibilities introduces potential conflicts of interest, compromises independence in compliance oversight, and heightens the risk of regulatory non-compliance. Moreover, the interdependence of Compliance and Trading functions increases operational risks, while accountability becomes blurred, complicating the resolution of compliance failures or trading errors, and creating opportunities for misconduct. Bottom line, the individual(s) responsible for trade compliance should not have the authority or ability to place trades. The GMODD team articulated the findings to the manager and made recommendations for improvement. Following the review, the manager implemented the recommended changes. The GMODD team conducted a follow-up onsite review to assess the changes made, and the ODD rating was changed to a hireable rating.

Active ownership

In order to deliver effective stewardship, Russell Investments relies on third-party data providers, including Sustainalytics and proxy adviser Glass Lewis. The primary services we receive are detailed in the diagram below.

Exhibit 22: Details of service providers

SERVICE PROVIDER	SERVICE RENDERED	HOW THIS SERVICE CONTRIBUTES TO RI'S ACTIVE OWNERSHIP
Glass, Lewis & Co	Viewpoint Voting Platform	Allows Russell Investments to monitor a very high volume of voting activity and place manual votes when appropriate.
	Application of Custom Proxy Voting Guidelines	Glass Lewis applies a bespoke set of Proxy Voting Guidelines created and maintained by Russell Investments' Active Ownership Committee.
	Resolution research and analysis	Russell Investments' internal proxy analysts draw on Glass Lewis' research and analysis as one of several resources when preparing a recommendation for the Active Ownership Committee on a referred item. For more information on referred items, please see Section 5.2.
Sustainalytics	Coordinate collaborative engagement partnership	Sustainalytics coordinates and leads engagement activities; Russell Investments participates in Sustainalytics' Thematic engagements, please see Section 5.1.
	Company-level ESG ratings and analysis	Our investment professionals leverage Sustainalytics' ESG risk ratings and analysis in our manager due diligence, in portfolio management and construction, and in our engagement practice.

Source: Russell Investments. For illustrative purposes only.

To ensure our process of delivering effective stewardship is of high standard, we regularly monitor and review the services of both Glass Lewis and Sustainalytics.

For proxy voting, the annual service review includes sampling and statistics from the previous year's vote activity to measure the accuracy and timeliness of the Glass Lewis research team. Russell Investments tracks these statistics year-on-year to ensure consistent quality of service. Members of the Active Ownership Committee also hold an annual meeting with Glass Lewis, addressing any concerns or updates regarding the services they provide.

Russell Investments has partnered with Sustainalytics as an engagement service provider because their model allows for close oversight and integration with our internal active ownership and investment processes. Our Active Ownership Team, under the oversight of the Active Ownership Committee, is responsible for the selection and monitoring of engagement themes. The team communicates regularly with Sustainalytics on the positioning of these themes, target company selection, and on progress and outcomes. Additionally, portfolio managers and wider members of the ID regularly participate in direct company engagements led by Sustainalytics.

Other third-party vendors

As a global organisation, Russell Investments has longstanding experience of integrating with various internationally recognised outsourcing vendors and partners, alongside our internal resources, to improve the overall efficiency of our core services for clients. We engage with providers across our operational, information technology, and financial service lines, for some of our middle and back-office support services. We maintain continuous oversight of our providers via service level agreements, formal relationship meetings, and evaluations that incorporate performance metrics.

We utilise third-party providers for middle-back-office services such as administration services for our pooled funds, custodian/depository services, portfolio accounting, and certain IT services. Three primary service providers we engage with are described below:

- **State Street:** We have a long history of working with State Street globally, and since 1995 in EMEA. State Street provides all fund administration (including fund accounting), prospectus, and regulatory guidelines monitoring, and custodian/depository services for Russell Investments.
- **SS&C Globe Ops:** SS&C Globe Ops provides portfolio accounting services, including daily reconciliations of cash and positions when comparing our current holdings with the custodians' data.
- **Microsoft:** Microsoft provides office productivity services, cloud computing storage, customer relationship management, and other IT infrastructure services. Russell Investments' vendor risk management framework utilises a combination of decentralised vendor management, centralised risk management, and focused sourcing and procurement. Key components to managing vendors include business unit ownership of vendor activities, sourcing and procurement assistance, and risk management oversight. Within Russell Investments' business units, assigned resources provide primary selection, monitoring, and oversight of key vendors, such as management of service levels, and the identification and mitigation of service issues. These efforts are the 'first line of defence' to mitigate vendor risks and identify areas of service improvement. For example, Global Operations (Fund Services, Investment and Data Operations) works directly with key service vendors (custodians, trading counterparties, reporting providers, etc.) daily to manage fund and client investment activities. During the initial selection and onboarding process, the first line activities include consultation, as needed, with subject matter experts such as Legal, IT, Compliance, and Operational Risk Management as part of Russell Investments' vendor due diligence process. Assigned vendor owners review and follow up on any relevant findings or issues noted in key vendor controls documentation, such as SSAE 18/SOC 1 reports. Other activities include tasks such as vendor performance monitoring, continuous improvement reviews, event management and analysis, and quality assurance. Onsite visits (if required) are periodically performed with key vendors to review operations and to assess performance as necessary.

As a second line of defence, Global Risk Management operates a Third-Party Risk Management programme that provides enterprise level oversight for the firm’s designated critical vendors. Control activities facilitated in conjunction with first line business units include assessment of vendor SOC reports, review of IT/Cybersecurity posture via vendor security assessment questionnaires, along with evaluation of vendor business continuity and (4th party) oversight programmes. The programme also conducts ad-hoc targeted due diligence in response to specific widespread events, such as cybersecurity events impacting a large number of firms, or geopolitical events that potentially impact service providers. Governance of the programme is directed by the Operational Risk Committee with assistance from other committees depending on the type of vendor and risks involved.



Case study: An unnamed vendor review in 2024

A critical vendor disclosed that one of their third-parties (a fourth-party to Russell Investments) was subject to a ransomware attack, and personal identifying information (PII) of Russell Investments associates was likely to have been exposed. As a result of this event, the vendor was required to notify multiple governmental regulators.

Outcome

Russell Investments’ Global Human Resources, Global Compliance, Global Risk Management, and Global IT (“Russell Investments review team”) reviewed the vendor’s response to the data breach and the vendor’s oversight of its third-party service providers. The review team found the vendor’s response, which included setting improved minimum cybersecurity standards for its service providers, improved governance and escalation of such incidents, along with implementing additional third-party oversight monitoring, were appropriate. The team will review the vendor in 2025 to validate that the improvements detailed in the response have occurred.

Global Sourcing and Procurement

In 2024, Russell Investments’ Global Sourcing and Procurement team enhanced its approach to analysing vendor spend data, integrating a focus on diversity metrics. Currently, Diverse + Small suppliers represent 2.7% of our total suppliers, with a Diverse + Small Spend of \$3.2 million. This initiative has also improved transparency and reporting, enabling better tracking of diverse spend across various categories. For example, Asian American-owned businesses accounted for the largest share of Minority Business Enterprise (MBE) spend at \$1.68 million, followed by Hispanic American, African American, and Asian Pacific American suppliers. Additionally, we continue to strengthen engagement with diverse suppliers in key categories, such as professional services (\$171K), IT software (\$93K), and real estate & facilities (\$4K).

As part of our ongoing commitment to supplier diversity, we actively participate in industry groups, including the Financial Services Roundtable for Supplier Diversity, to benchmark performance and implement best practices. We also continue to explore partnerships that support the certification, development, and connection of Minority Business Enterprises (MBEs) with major corporations and public agencies.



5. Active Ownership

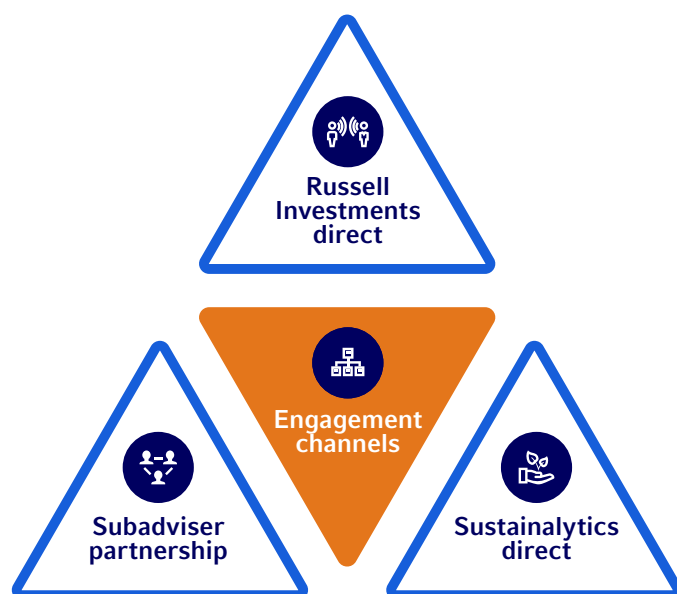
- ✓ **UK Stewardship Code – Principle 9**
- ✓ **Japan Principles for Responsible Institutional Investors – Principle 1, 3, 4**
- ✓ **The New Zealand Stewardship Code – Principle 2, 4**

5.1 Our engagement approach

At Russell Investments, being an active owner is an integral element of our investment responsibilities. As part of our stewardship approach, we actively engage with companies on key areas such as board composition, capital allocation, and sustainability practices, while advocating for effective risk management. By fostering ongoing dialogue, we gain deeper insights into the risk and return profiles of our investments and work to drive positive change on critical issues that influence long-term sustainable value creation and shareholder rights, ultimately benefiting our clients as the end beneficiaries of our investments.

Our unique business model and service capabilities enable us to adopt a multi-channel approach to stewardship. This approach allows us to engage directly with issuers, collaborate with our sub-adviser partners, and leverage our partnership with Sustainalytics – a leading independent sustainability, social, and corporate governance data and research firm – to drive meaningful impact. Further information can be found in our [engagement policy](#).

Exhibit 23: Engagement channels



Source: Russell Investments, for illustrative purposes only.

As a leading investment solutions partner with multi-asset and multi-manager capabilities, we draw on a broad set of relationships, including with our sub-adviser partners, to foster multiple levels of engagement and shape outcomes. These relationships extend through our sub-advisers, external standards setters, proxy and engagement service providers, other market participants, and, of course, corporate issuers. These connections also provide information sharing and serve as an important feedback loop into our active ownership and investment processes.

Russell Investments direct

A strong stewardship programme includes pursuing activities which offer the highest return or risk mitigation opportunities. To this end, Russell Investments directly engages with portfolio companies as a fundamental part of its responsible investing process. We proactively initiate dialogue to address financially material issues, while responding to controversies that pose significant financial and reputational risks.

Internally-led, direct company engagements are initiated by two key methods:

- Intentional selection of portfolio companies identified as high risk through various data resources. This is further described in the engagement selection criteria below.
- From our proxy voting activity – we may engage with management in advance of the general meeting, or instances where we have voted against management may lead to a follow-up engagement. Some of these votes are determined by our custom guidelines; others are referred to the Active Ownership Committee for special review. The proxy voting section below provides additional information on referred items and the manual voting process.

Sub-adviser partnership

Given our position as a multi-asset manager of managers, we view our relationships with our sub-advisers as a core element of our stewardship process, ensuring an informed and integrated strategy to active ownership. Sub-advisers are hired to fulfil targeted, value-enhancing roles in our portfolios, and their close, day-to-day contact with investee companies means their insights and recommendations are a key contribution to our engagement and voting processes.

Our portfolio managers seek input from our sub-adviser partners when selecting engagement priorities, and these discussions help to validate the potential benefit of an engagement and refine our approach. In consultation with our sub-adviser partners, we assess whether joint outreach or separate yet aligned efforts

would be more effective. Opportunities identified by our sub-advisers might result in partnered engagement efforts, Russell Investments' direct engagements with sub-adviser input, or reinforce engagement efforts that are already underway.

Sustainalytics direct

Russell Investments partners with Sustainalytics for collaborative engagements. Sustainalytics' thematic engagement programmes enable participants to build relationships with a designated set of issuers to encourage action that promotes long-term value. Russell Investments has selected engagement themes that align with its focus areas while drawing on Sustainalytics' expertise and access to increase the likelihood of success. Our investment professionals actively participate in calls with the targeted companies across all themes, ensuring direct involvement in the engagement process.

Exhibit 24: Sustainalytics themes covered the following five topics and objectives:

We have signed on to five themes that target between 30 and 100 companies each. We influence the selection of companies and have the option to actively join engagements.



Source: Russell Investments, for illustrative purposes only.

Engagement selection

Russell Investments identifies company engagement opportunities through a systematic process that is applied across all holdings. Our efforts are centred on key engagement focus areas, outlined below, which represent material risks and return opportunities. In addition to these focus areas, the following criteria are considered when selecting engagement targets:

- Russell Investments' ownership stake as percentage of shares outstanding and/or weight of fund exposure.
- Proxy voting history and management responsiveness to shareholder concerns.
- Sustainability risks analysis performed in-house and by third-party vendors focusing on subindustry peer comparison and controversies.
- Glass Lewis' research and analysis.
- Knowledge gleaned from previous engagement activity.
- Opportunities and risks highlighted by our sub-advisers.
- Fund level sustainable objectives.

Our internally-led company engagements may be initiated on the back of voting activity, particularly votes that have been referred to the Active Ownership Committee for internal analysis and debate. These referred votes arise when a proposal cannot be addressed by our custom voting guidelines, including sustainable or social-related propositions, where the Active Ownership Committee scrutinises the vote on a case-by-case basis.

Engagement targets are finalised using the input and insights of our portfolio management teams and approved by Russell Investments' Investment Strategy Committee.

Engagement focus areas

In addition to the criteria outlined above, we centre our engagement activities around six focus areas, listed below. These have been chosen in consideration of:

1. Our business purpose of addressing our clients' most pressing financial challenges,
2. Clients' expectations collected from surveys and communication,
3. Our proxy voting and engagement practices through time,
4. Our corporate values and purpose, and
5. Our approach to responsible investing.

Our engagement focus areas are monitored and updated as required to address regulatory developments, emerging investment risk and opportunities, and clients' requests and needs. More information on this approach can be found in our engagement policy.

We expand on the financial materiality of these focus areas and provide relevant case studies beginning on page 81 of this report.

Exhibit 25: 2024 Engagement focus areas



Source: Russell Investments, for illustrative purposes only.



Case study: Review of our engagement focus areas

Following a three-year strategic review, we have updated our engagement focus areas to ensure they remain aligned with client expectations, market dynamics, regulatory developments, and emerging megatrends. This review reinforces our commitment to targeting the most material issues, refining our engagement priorities, and ensuring our approach remains effective, impactful, and forward-looking in an evolving sustainable investment landscape.

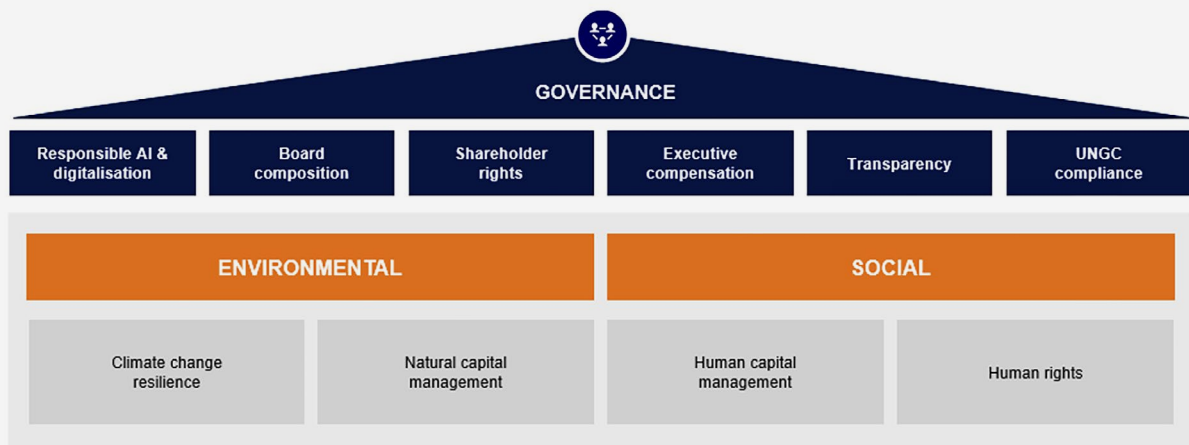
Outcome

Our strategic review has led to key refinements in our engagement priorities to reflect evolving global themes. Notably:

- **Social:** We have expanded this category to explicitly include human rights, recognising the increasing global focus on this critical issue.
- **Governance:** We have broadened our scope to encompass Responsible AI and Digitalisation, acknowledging their growing impact on corporate governance and risk management.

Starting in 2025, our updated engagement focus areas are outlined below.

Exhibit 26: 2025 engagement focus areas



Source: Russell Investments, for illustrative purposes only.

Collaborative engagements

✓ **UK Stewardship Code – Principle 10**

✓ **Japan Principles for Responsible Institutional Investors – Principle 3, 4**

✓ **The New Zealand Stewardship Code – Principle 4, 7**

Russell Investments leverages third-party engagement initiatives to extend its reach across regions and markets. In 2024, we utilised Sustainalytics' engagement offering alongside our memberships in the Climate Action 100+ initiative, Net Zero Engagement Initiative (NZEI), and Nature Action 100 initiative.

At Russell Investments, we are committed to delivering effective, high-impact stewardship that drives meaningful sustainability outcomes. As part of our ongoing strategy evolution, we continuously assess the most efficient ways to engage with investee companies, ensuring alignment with our clients' sustainability priorities and regulatory expectations. A strategic evaluation in 2024 led to increased support for our programme to strengthen our in-house resources and capabilities. These changes, which largely take effect from 2025, are described in the case study below.



Case study: Strengthening our stewardship approach

We have strengthened our engagement programme to drive more effective and outcome-oriented stewardship, focusing on three key areas:

1. People

- We expanded our Active Ownership team with three new members in 2024 and will welcome an additional member in 2025, further strengthening our expertise and capacity for high-impact engagement.
- Engagement efforts now extend across our investment division, with six additional analysts leading direct company interactions.

2. Partners

- We have strengthened our oversight of sub-advisers, ensuring sustainability factors are fully embedded in investment decision-making through quarterly portfolio sustainability reviews.
- Since 2020, Sustainalytics has been a trusted engagement provider. In 2025, we added a fifth theme, Net Zero Transition alongside:
 - Biodiversity & Natural Capital
 - Human Capital Management
 - Human Rights Accelerator
 - Material Risks Japan

3. Technology

- We are upgrading our internal stewardship platform (ENACT) to enhance engagement tracking, incorporating additional KPIs, objectives, and peer assessment for a more comprehensive evaluation. We have also introduced two additional outcome-tracking data points, bringing the total to 15.
- We are leveraging AI-driven tools to enhance research efficiency, enabling more data-driven and impactful interactions.

Following a comprehensive review, we made the strategic decision to exit three investor-led collective engagement initiatives – Climate Action 100+ (CA100+), Net Zero Engagement Initiative (NZEI), and Nature Action 100 (NA100) – at the end of 2024. This decision reflects our commitment to aligning more closely with our clients’ evolving priorities by bringing climate and nature risk assessments in-house.

As highlighted in the case study above, we are actively enhancing our internal capabilities, allowing us to assess and manage these risks – alongside other material factors – more effectively. The sustainable investing landscape has also evolved, and we believe that a more independent approach enables us to better serve our clients by aligning with their specific priorities and delivering more targeted outcomes.

This transition does not impact our ability to integrate climate and nature-related risks into our investment processes or to support clients with sustainable investment objectives. Instead, it strengthens our ability to deliver insights and solutions tailored to their needs.

Collaboration moving forward

While we are stepping away from some initiatives, our commitment to collaborative engagement remains robust, with a strategic shift toward more flexible, high-impact collaborations.

- **Active ownership through multi-channel engagement:** We continue to engage directly with issuers, through sub-adviser partnerships, and via third-party research firms, ensuring rigorous oversight of sustainability risks. Additionally, we are enhancing our reporting framework to better reflect managers’ stewardship actions and impact.
- **Strategic Collaborations:** We maintain membership in other industry initiatives that align more closely with our engagement philosophy, including targeted engagement frameworks such as IIGCC and PRI.
- **Focus on stewardship outcomes:** Our engagement efforts remain fully transparent, with structured escalation mechanisms that ensure accountability, rather than relying solely on broad, consensus-driven investor coalitions.

Engagement tracking and escalation

✓ **UK Stewardship Code – Principle 11**

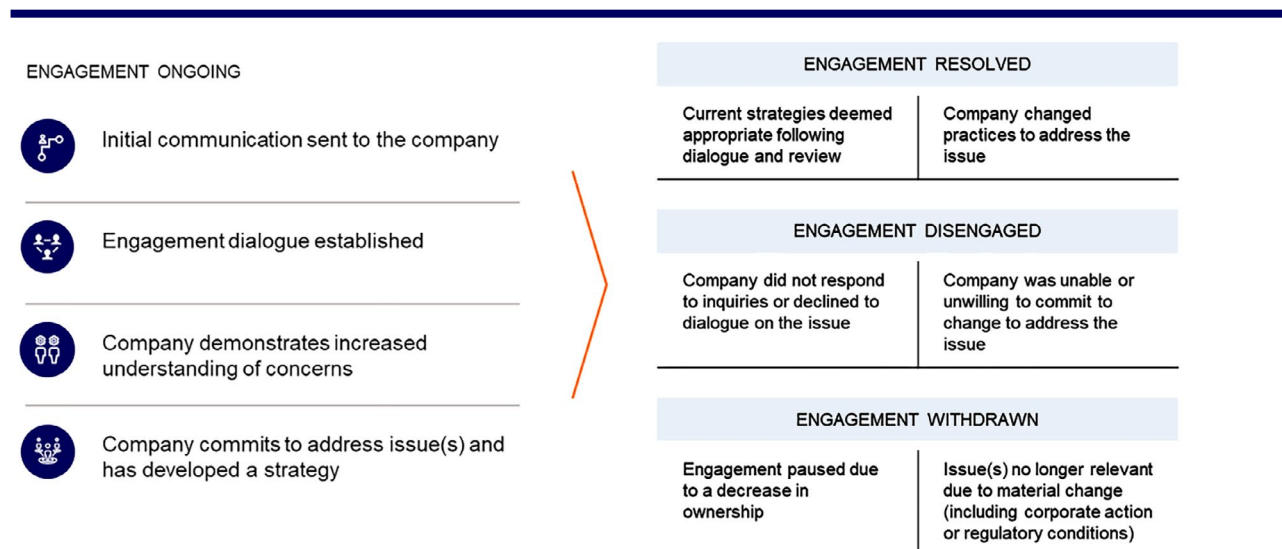
✓ **Japan Principles for Responsible Institutional Investors – Principle 3, 4**

✓ **The New Zealand Stewardship Code – Principle 4, 7**

Categorisation of engagement activity

Russell Investments recognises that addressing risk and return through stewardship can be a long-term process, with no guaranteed straight path to success. To optimise our efforts and accountability, we initiate each engagement with a clear objective, identifying the focus area and materiality of the proposed action. Once underway, we track the progress of each engagement objective against the goal of the outreach, marking milestones where achieved.

Exhibit 27: Tracking engagement progress



Source: Russell Investments, for illustrative purposes only.

Engagements remain 'ongoing' as long as we assess that progress can be made. Ongoing actions can include early-stage conversations that result in raised awareness, as well as companies that have moved toward implementation of a revised strategy. While we do not set a fixed timeline for escalating or closing engagements, we aim to resolve most issues within a three-year period.

Annual review of engagements

The Active Ownership Team reviews engagements and outcomes on a regular basis to determine whether an engagement should be resolved, disengaged, or escalated. When a company repeatedly fails to respond to our outreach and/or does not advance along a path of implementation, the Active Ownership Team will determine whether to move that effort into escalation or maintain the company in a monitoring watchlist, which will involve more robust scrutiny and frequent dialogue with the relevant sub-adviser to justify holding. A "withdrawn engagement" refers to an engagement that is discontinued before a resolution is reached. This may occur due to changes in ownership levels, corporate actions, or other strategic decisions that lead to the cessation of active engagement efforts.

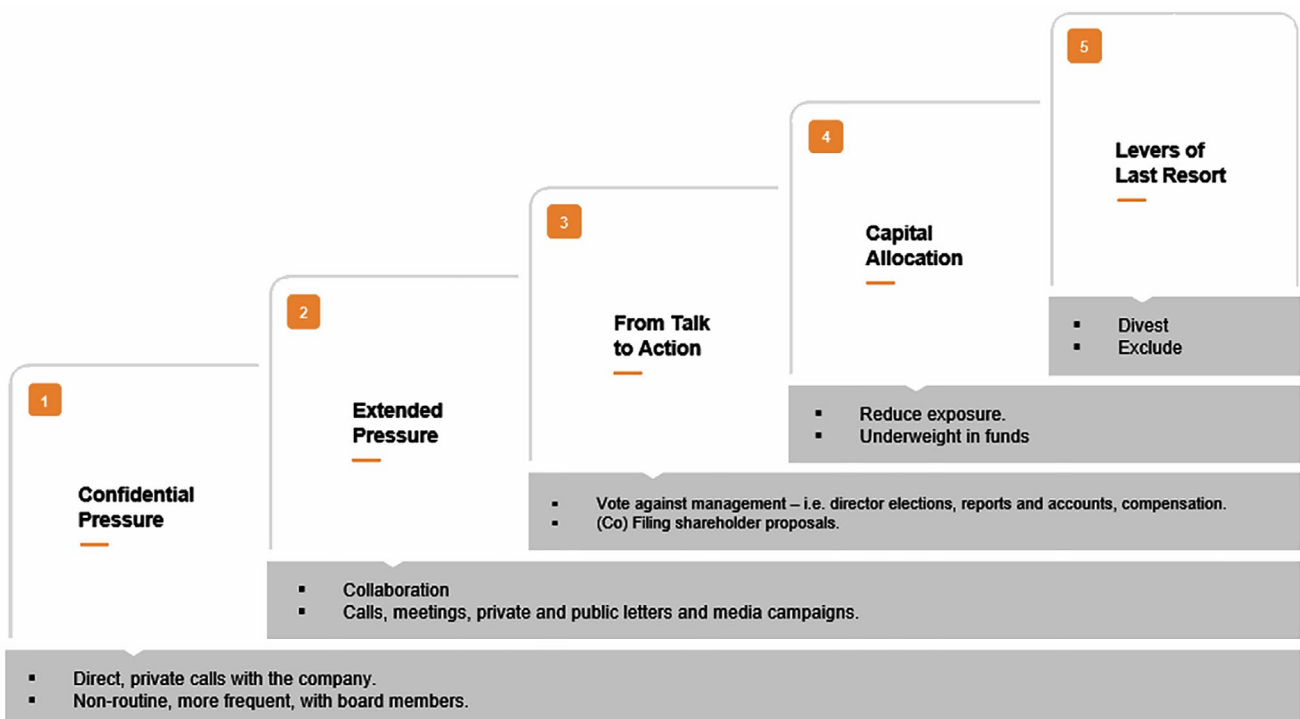
Escalation

At Russell Investments, being an active owner is an important component of our investment responsibilities and fiduciary duty. We are a long-term shareholder across thousands of securities on behalf our clients, and we engage knowing our clients should benefit over the longer-term. Our engagement approach is to encourage risk mitigation on the most material risk, or return opportunities through building mutually beneficial long-term relationships with investee companies. We believe that ongoing dialogue is likely to be more effective than divestment or exclusion, and see that as a fundamental part of our responsible investing strategy.

We have several avenues for escalation, including enhanced dialogue with our sub-advisers and other market participants that result in coordinated or collaborative engagements, sharing concerns in writing (publicly or privately), and/or adverse proxy voting on related items. We believe that in many circumstances there are better alternatives to managing risk and sustainability outcomes than outright exclusion, and we adopt a multi-disciplinary approach to managing sustainability risks, as detailed in Section 4.2.

However, where appropriate, exclusions are used to meet client preferences, manage risk, or to deliver on strategy objectives. When using an exclusion, we strive to employ a thoughtful approach to calibrating criteria so as to meet complex topics such as energy transition with a holistic approach, meaning identifying companies whose business models are at risk as well as those likely to contribute to real-world solutions.

Exhibit 28: Escalation strategies



Source: Russell Investments, for illustrative purposes only.



Case study: Escalation to sub-adviser due to poor governance practices at a controlled company

Engagement Channel	Russell Investments direct
Country of Incorporation	United States
Market Cap	USD 597.76m
Asset Class	Public Equity
Sector	Consumer Discretionary

Russell Investments re-engaged with a holding company that owns and operates casual, upscale casual and fine dining restaurants to assess its governance practices, particularly shareholder rights and board independence. Our engagement was driven by concerns over governance structures that fall below market standards, including the company's reluctance to adopt best practices on shareholder rights and independent oversight.

The company maintained that its existing special meeting rights are sufficient, despite market trends indicating otherwise.

Additionally, the company has a history of large individual or activist ownership, which further complicates governance structures. This concentration of ownership presented potential risks, as it may not adequately protect the interests of minority shareholders, or ensure fair decision-making at the board level.

Finally, the company had not demonstrated a clear commitment to enhancing board independence beyond existing levels. Without a stronger independent presence on the board, shareholder influence over governance matters remains limited, restricting the company's ability to improve accountability and responsiveness to investor concerns.

Outcome

During our engagement, the company acknowledged the importance of governance best practices but showed limited willingness to enhance shareholder rights or board independence. Despite shareholder pressure, the company remains resistant to introducing procedural safeguards or reducing thresholds for shareholder-initiated actions.

Russell Investments escalated the engagement by voting against management at the 2024 AGM on governance-related proposals, reflecting the company's inadequate response to shareholder concerns.

In addition, we have communicated our concerns to sub-advisers, flagging the company's governance practices as a material risk. We will continue to monitor and engage with the company, advocating for stronger shareholder rights, enhanced board independence, and improved transparency in governance structures.

Engagement across asset classes

Fixed income

The fixed term and contractual nature of bond investments afford bondholders a finite number of engagement opportunities to make explicit impact with individual issuers. In most instances, these opportunities are brief in duration, occur before an investment decision must be made, are not open to all parties, and are offered at the discretion of the issuer's willingness to engage. However, repeat and frequent bond issuers have a greater incentive to listen to bondholders.

Where possible, Russell Investments conducts engagements on fixed income holdings alongside equity activity. As with our equity holdings, fixed income engagements also entail the monitoring of our sub-advisers engagements with issuers. As bondholder engagement has become a key source of information for assessing sustainability-related risk and return opportunities in the marketplace, we use these activities to gain greater insight into underlying companies or entities, improve corporate transparency, and influence business practices.

Russell Investments' Enhanced Oversight (EO) process extends to fixed income holdings, reflecting our commitment to a comprehensive approach across asset classes. In our assessment, we consider bond-specific characteristics alongside traditional sustainability risk metrics. This includes our total market-value exposure, the duration remaining to maturity, and credit rating. Combined, these metrics are used to evaluate the downside risk an issuer may be presenting within our portfolios. See section 4 above for more information.

The Enhanced Oversight process has led to an increase in the number of Russell Investments-led, fixed-income specific engagements. Please see below for more in-depth case studies of our fixed income specific engagements.

At the same time, we maintain oversight of the responsible investing awareness and capabilities of our underlying managers, including their efforts toward engagement. Our sub-adviser due diligence framework incorporates an assessment of the level and quality of sustainability integration and active ownership across all asset classes, including fixed income. Consideration given in this process includes, but is not limited to:

- How managers prioritise engagement activities;
- How engagement objectives are set;
- Who is involved in the engagement activities;
- How the progress is monitored;
- How engagement activity success is measured; and
- Publication of product or asset class specific sustainability reports.

Based on our monitoring activities, our sub-advisers are increasingly exercising proactive engagement in the context of materiality, industry, and company-specific risks, but the frequency and nature of the conversations can vary depending on the credit quality of the issuer. More information regarding this process can be found in the section 4 above.

Investment-grade corporate bond issuers are, by definition, companies with higher credit ratings resulting from healthier financial conditions. Such companies are often large in size, listed on the stock market, and employ dedicated investor relations personnel to address investor concerns. Therefore, the transparency of the investment-grade bond issuers tends to be greater than that of the below-investment-grade bond issuers. As such, although we have seen a substantial expansion of engagement efforts among below investment-grade bond managers (such as high-yield managers), engagement activities are more established among sub-advisers with investment-grade corporate bond mandates.

Depending on market conditions, high-yield issuers potentially have a greater incentive to listen to potential investors' needs, as their ability to access capital markets is less certain than that of investment-grade companies. There are also more private companies in the high-yield market than in the investment-grade corporate market, and private companies often lack transparency, such as visibility into the composition of board members. While our high-yield managers were already communicating with the management of underlying companies and their stakeholders, this dialogue is shifting to include broader sustainability-related questions. Our high-yield managers also focus on increasing transparency and influencing corporate behaviours, to improve the long-term enterprise value of the company. At the same time, our sub-advisers are increasingly focusing on their engagement activities around climate risk.



Case study: Fixed Income engagement on natural capital management

Engagement Channel	Russell Investments direct
Country of Incorporation	United States of America
Market Cap	USD 11.7bn
Asset Class	Fixed Income
Sector	Materials

Russell Investments engaged with a global aluminium producer to assess its natural capital management strategy, recognising that resource-intensive operations pose material financial risks. Given its reliance on resource-intensive processes, the company faces significant risks related to water usage, waste management, and circular economy initiatives which directly impact operational costs, regulatory compliance, and long-term financial resilience. The company has made strides in increasing recycled aluminium content, which supports cost efficiency and reduces its environmental footprint. However, challenges remain in improving water stewardship, minimising landfill waste, and optimising energy efficiency. Recent issues with water metering inaccuracies and stalled energy reduction progress highlight the need for enhanced monitoring and disclosure.

Outcome

While the company has demonstrated commitment to circularity, more transparency and measurable targets are needed to strengthen its natural capital strategy. Improved resource efficiency not only reduces environmental impact but also enhances financial resilience by mitigating risks related to resource scarcity, regulatory penalties, and operational inefficiencies. We will continue to monitor its progress in waste reduction, water management, and overall resource efficiency.



Case study: Fixed Income engagement on natural and human capital

Engagement Channel	Russell Investments direct
Country of Incorporation	Mexico
Market Cap	MXN 187.25bn
Asset Class	Fixed Income & Public Equity
Sector	Materials

Russell Investments continued its engagement with a company involved in production, distribution, marketing and sale of cement and other global construction materials to encourage the company to identify the natural capital impacts and/or dependencies that are relevant to their business and long-term strategy. Furthermore, we aimed to confirm the robustness of the human capital management of the company.

From a materiality perspective, the efficient utilisation of human capital ensures smooth operations, innovation, and quality control throughout the production and distribution processes. Secondly, natural capital, particularly access to raw materials like limestone and clay, is essential for cement production, and sustainable management of these resources is critical for long-term viability and environmental compliance.

Outcome

While we are broadly satisfied with the board's oversight of the human capital strategy from a governance perspective, the company continues to face challenges regarding road accidents and, as a result, they have shifted a previous target of zero fatalities by 2025 back to 2030. The company is making progress toward reporting on biodiversity in alignment with the Taskforce on Nature-related Financial Disclosures (TNFD) framework, and has set a goal to have identified 100% of nature-positive sites by the end of 2025. Russell Investments will continue to engage with the company with a particular focus on natural capital management, as the company is developing its strategic approach to these issues.

Private markets

Over the past decade, private market funds have employed increasingly sophisticated sustainability and stewardship practices. In selecting private markets managers, Russell Investments recognises that active ownership, combined with the ability to ensure strong execution in individual portfolio companies, is increasingly important to realising value.

Private markets is a diverse asset class that includes a wide range of different strategies such as venture capital, growth equity, and buyouts, as well as indirect strategies such as fund of funds and secondaries. Different sub-asset classes and funds will have different exposures to sustainability-related risks and opportunities. Therefore, a 'one-size-fits-all' approach to active ownership is rarely deployed consistently across an entire portfolio, or even throughout the life cycle of a particular asset.

To overcome the challenges associated with this asset class, and to ensure we fulfil our duties as an active owner, we employ the following mechanisms for active ownership in private markets:

- **Good governance:** Governance is critical in this asset class, as adjusting ownership terms after the initial investment is challenging. Therefore, governance practices and expectations are addressed upfront, with a focus on fostering a long-term relationship with the manager.

- **Limited Partner Advisory Committee (LPAC) seats:** Where possible, we seek LPAC seats to gain transparency, and for smaller investments we aim for 'observer status'. Given the inherent opacity of private markets, these interactions help improve the transparency we provide to our investors.
- **Voting:** We actively participate in voting matters, recognising that adjustments to documentation – such as the addition of new investors or changes to Key Person provisions – often require LPAC or investor approval.
- **Engagement and monitoring:** Given the limited availability of data in this market, insights gained through regular engagement with managers and other investors are the most effective ways to increase visibility. Using side letters to require and encourage disclosure and reporting on material sustainability issues is another important tool used in this process.



Case study: Request to increase fund hard cap

Engagement Type	Request to increase fund hard cap
Country of Incorporation	United States
Sub-asset	Public Equity (secondaries)

Following consultation with members of the Fund's Limited Partners Advisory Committee (LPAC) and other significant existing investors, the sub-adviser manager sought Limited Partnership approval to amend the Fund's LPA to increase its hard cap by 10%, from \$13.5 billion to \$14.85 billion. The Fund held its initial rounds of subscriptions in the second half of 2022, several closings during 2023, and the remaining closings were planned to be held in August 2024.

The sub-adviser manager projected that having incremental capital available to invest would enable them to maintain or enhance their leadership position in the secondary market, and therefore recommended that the Fund increase its hard cap in order to provide flexibility to take greater advantage of a deep pipeline of attractive investment opportunities.

Outcome

The LPAC was generally supportive of the proposed increase. Given the continued strong growth of the secondary market, the recent increase in transaction sizes, and the importance of scale in leading transactions, Russell Investments recommended approving the amendment.



Case study: Private equity fund extension

Engagement Type	Fund Term Extension–LPAC member
Country of Incorporation	Netherlands
Sub-asset	Growth Equity (close-ended)

Our sub-adviser manager approached the Limited Partnership Advisory Committee for consent to extend the fund term, which would have expired at the close of 2024, by a term of two consecutive one (1) year terms, or 31 December 2026. The General Partner (GP) would remain entitled to charge any costs incurred in relation to the Fund, subject to the Limited Partnership Agreement (LPA). In tandem with this request, the sub-adviser manager would also amend the LPA to change the language with respect to future fund term extensions so that it includes the option to extend for either one (1) or two (2) years each.

The GP believes that it is appropriate for the Fund to be entitled to reinvest up to €5m (or 5% of the Fund) to support the remaining portfolio companies in their buy-and-build activities. As such, they also requested consent to amend the LPA with respect to the reinvestment of proceeds generated by the Fund after the lapse of the investment period.

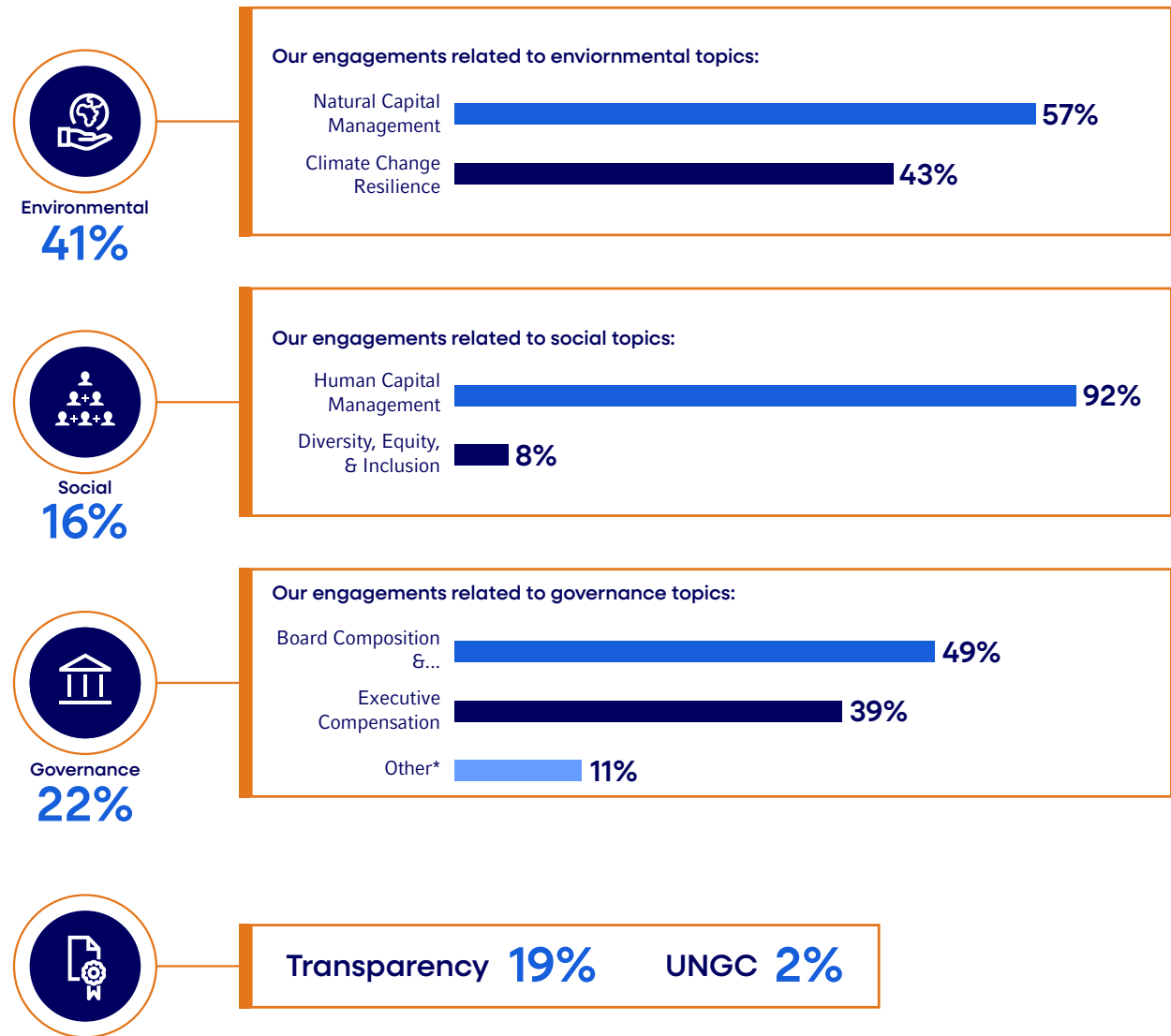
Outcome

The manager noted that the GP will continue to manage the fund without charging any management fees. Russell reviewed the proposed amendments, discussed with the GP and was in favour of voting to approve both amendments.

Engagement activity in 2024

At Russell Investments, we engage with companies to understand, influence, and enhance their business practices and disclosures. As part of our active ownership efforts, we conducted 320 engagements with 209 issuers across equity and fixed income during the reporting year. This reflects our commitment to stewardship across all engagement channels.

Exhibit 29: Engagement activity per topic



*"other" identifies topics outside our engagement focus areas (such as proxy vote-related, capital allocation, related party transactions, and share capital structure).

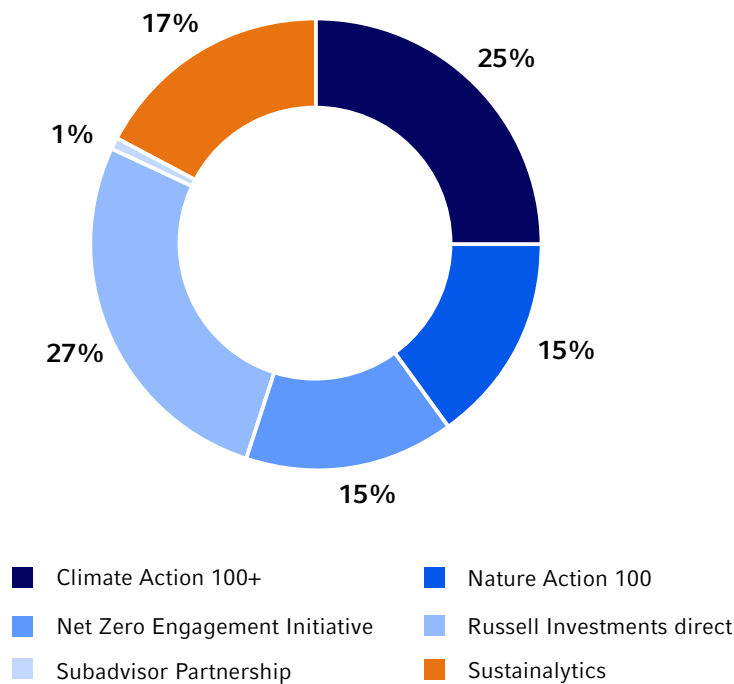
The graphic summary above excludes engagement through collaborative networks, as these networks focus solely on environmental issues. This reflects the industry's tilt toward that topic and including them would not provide a fair representation of our overall engagement efforts.

Engagement by avenue

Russell Investments occupies a privileged position in terms of industry influence and reach which creates multiple avenues for engagement. Our active engagements encompass Russell Investments-led engagements where we are solely responsible for building agendas and tracking engagement outcomes, as well as those conducted in partnership with our sub-advisers.

Through third-party initiatives, Russell Investments supported collaborative outreach as detailed above (the CA100+, NZEI, and Sustainalytics). Due to the structure of these initiatives, Russell Investments has led only a select number of conversations, while in others, we contributed to agenda building and knowledge sharing. The breakdown of our involvement between third-party collaborations during 2024 is detailed in exhibit 30.

Exhibit 30: Engagement channels - active engagement



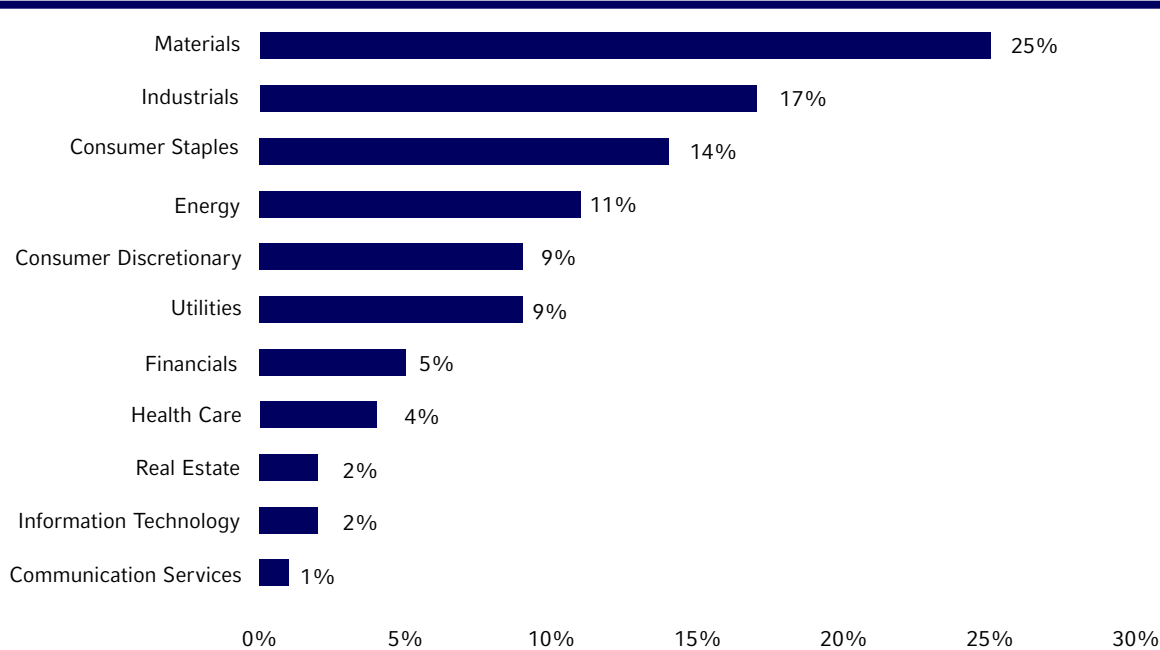
Source: Russell Investments, data as at 31 December 2024.

Engagements by sector

At Russell Investments, we recognise the importance of materiality and strive to assess how companies manage financially material sustainability-related factors that influence performance, acknowledging that the level and timing of impact may vary. For this reason, we support the Sustainability Accounting Standards Board ('SASB') standards as a fundamental way for companies to communicate financially material sustainability information to investors in an industry-specific and comparable way. In the same manner, we use SASB standards to identify sector-specific priority issues for corporate engagement.

In line with the breadth of our engagement strategy, during 2024 we engaged with companies across 121 different sub-industries in 15 different sectors. Almost half of the engagements conducted over the reporting period were with companies in the materials, consumer staples, or industrials sectors.

Exhibit 31: Percentage of engagement by sector

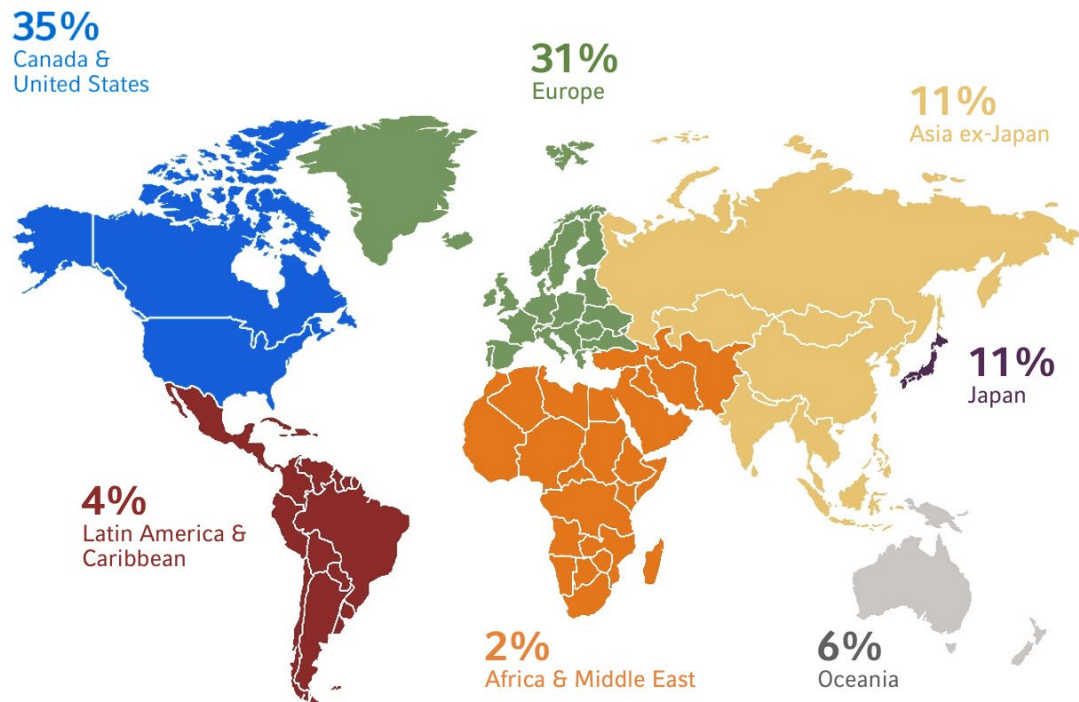


Source: Russell Investments, data as at 31 December 2024.

Engagement by region

As a global firm, our active ownership strategy has wide geographic reach. Over the last two years, through our partnership with Sustainalytics, we increased our engagement activity with companies in emerging and other markets where we had limited activity in the past, particularly in Japan. In 2024, we held engagements with companies across 45 different markets, covering seven main geographic regions:

Exhibit 32: Engagement distribution by region



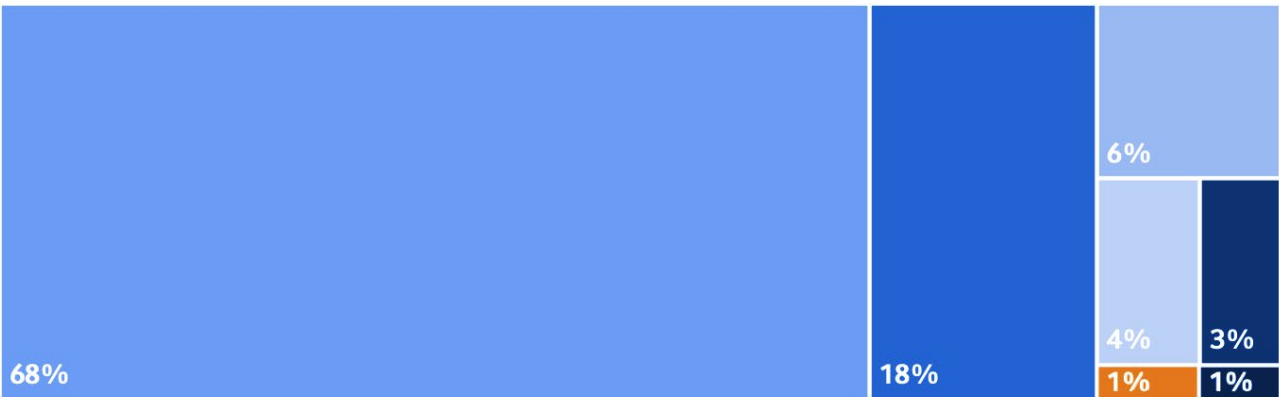
Source: Russell Investments, data as at 31 December 2024.

Engagement outcomes

Tracking the progress of corporate actions and measuring the impact of our engagement activities are essential components of Russell Investments’ engagement process and core to our stewardship responsibilities.

In 2024, while reviewing the status of ongoing engagement activity, we determined that over 10% of the companies we engaged with had resolved the issue(s) positively. Furthermore, over three quarters of these companies with objectives that remain ongoing have shown a clear appreciation of the concerns we raised, and have committed to address the issue or are already developing a strategy to do so. We believe our efforts and oversight are a contributing factor to many of these positive developments. We note that only a small proportion of the ongoing engagements have been closed due to an unsatisfactory response from the company.

Exhibit 33: Breakdown of engagement outcomes



- 1.A. Ongoing - Company acknowledges understanding of the concerns (has not developed a cohesive response)
- 1.B. Ongoing - Company commits to address issue(s)
- 1.C. Ongoing - Company is developing a strategy and is integrating it into business operations
- 2.A. Resolved - Current strategies deemed appropriate following dialogue and review
- 2.B. Resolved - Company changed practices to address the identified risk or opportunity
- 3.B. Disengaged - Unable or unwilling to commit to change to address the issue

Source: Russell Investments, data as at 31 December 2024.

Activity across our focus areas

As outlined above, this section details the financial materiality of each of our engagement focus areas and includes a case study to illustrate how these principles are applied in practice.

Disclosure

Russell Investments encourages companies to publicise how they are addressing material sustainability-related issues relevant to their business practices in a timely manner. To this end, we encourage the publication of an integrated or standalone sustainability report that provides information in line with peers and industry good practices on an annual basis.

For most small market capitalisation and emerging market equity holdings, we find that disclosure is a frequent engagement topic. While recognising that these companies are disadvantaged compared to larger or developed market peers due to resource constraints, we nevertheless advocate for reasonable disclosure of sustainability-related risks and opportunities to facilitate sound investment decision-making.



Case study: Improving transparency at a mid-cap company

Engagement Channel
Country of Incorporation
Market Cap
Asset Class
Sector

Russell Investments direct
United States of America
USD 6.17bn
Public Equity
Real Estate

Russell Investments engaged for the third time with a U.S.-based real estate investment trust (REIT) to encourage stronger disclosures and integration of sustainability risks into its strategy. While the company has acknowledged physical climate risk as a key concern, its reliance on informal investor feedback rather than a structured materiality assessment presents a gap in its approach. We emphasised the importance of more transparent, data-driven disclosures to accurately reflect long-term risks and opportunities.

Given the nature of the company's business, climate-related risks and sustainability initiatives have clear financial materiality. The ability to manage these risks effectively can impact asset valuation, tenant demand, and long-term cost efficiencies. Without structured disclosures, investors face challenges in assessing the resilience and future growth potential of the business.

Outcome

The company is taking steps to enhance its sustainability strategy, particularly through its Green Lease programme, and partnerships aimed at reducing carbon emissions. However, gaps in data collection and benchmarking limit the ability to assess financial materiality. More structured disclosures would help investors evaluate the long-term resilience of its assets and ensure alignment with sustainability goals. While we are closing this phase of engagement, we will continue to monitor the company's progress in formalising its sustainability assessments and improving transparency.

United Nations Global Compact

Established in 1999, the United Nations Global Compact (UNGC) is a voluntary framework consisting of ten principles focused on human rights, labour standards, the environment, and anti-corruption. These principles promote the integration of sustainable business practices and challenge companies to become more open and transparent about their strategies, policies, and procedures related to sustainability issues. The UNGC has grown into the largest corporate sustainability initiative in the world.

To ensure that companies meet a minimum standard for good governance practices, we check whether a company has breached global 'norms', as represented by the UN Global Compact Principles. The Russell Investments Global Exclusions Committee (GEC) monitors holdings for breaches of the UNGC Principles and oversees any actions that are taken as a result. If a company is identified as being in breach of one of the principles of the UNGC, we consider the company a high-priority engagement target. Our goal is to understand why a breach has been flagged, promote improvements in governance practices, and ultimately assess whether the company exhibits good governance.



Case study: Mitigating potential human rights violations

Engagement Channel
Country of Incorporation
Market Cap
Asset Class
Sector

Russell Investments direct
China
CNY 29.56bn
Fixed Income & Public Equity
Communication Services

Russell Investments engaged with a global technology company regarding its compliance with international human rights standards, particularly the UN Global Compact and UN Guiding Principles on Business and Human Rights. The company addressed its recent rating downgrade and outlined its commitment to human rights through due diligence processes and governance mechanisms.

We sought clarity on its policies regarding digital rights, user data protection, and transparency in government requests. The company provided insights into its human rights framework, annual assessments, and steps taken to mitigate potential risks.

Outcome

The company emphasised its structured approach to human rights, including annual assessments, enhanced privacy protections, and transparency in government data requests. It has engaged with rating agencies to clarify its position and improve disclosures. Russell Investments will continue to monitor progress and evaluate further actions with the portfolio manager.

Climate change resilience

Russell Investments recognises that climate change is one of the defining global challenges of our time and, therefore, a material investment issue across regions and industries. Our policy is to 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 has been an official supporter of the TCFD since 2019, and we promote its recommendation that companies provide effective climate-related disclosures to enable more informed financial decision-making. In addition, we advocate for companies to have board-level oversight and governance of climate change impacts. Finally, Russell Investments expects companies to explain how they have incorporated climate-related issues into their business, strategy, and financial planning – including the disclosure of key metrics and risk management processes.



Case study: Driving decarbonisation in a highly regulated utility

Engagement Channel	Sub-adviser partnership
Country of Incorporation	United States of America
Market Cap	USD 15.3bn
Asset Class	Fixed Income & Public Equity
Sector	Utilities

In 2024, Russell Investments conducted its third annual engagement with a U.S.-based electric utilities company operating in the Midwestern region of the country. The primary goals of this engagement were to encourage the company to align executive compensation with its decarbonisation objectives and to implement a credible decarbonisation strategy that achieves proportionate year over year emissions reductions.

Over the last three years, the company has demonstrated a deliberate approach to decarbonising its retail and commercial operations, balancing regulatory compliance, infrastructure investments, and economic growth pressures. It publishes an integrated resource plan to guide its strategy, ensuring regulatory alignment and capital efficiency. The board has integrated a sustainability-related metric into its long-term incentive plan, tying performance to renewable energy targets rather than direct emissions cuts.

Outcome

Despite operating in a hard-to-abate sector, the company has shown significant progress in its decarbonisation strategy. Given the heavy regulation and capital investment required for energy transition, Russell Investments is confident in the company’s ability to navigate these challenges while maintaining financial resilience and operational stability. The company’s proactive regulatory engagement, renewable energy investments, and infrastructure upgrades position it to capture long-term growth opportunities while mitigating financial and operational risks. Russell Investments, therefore, concludes this engagement as resolved, recognising the company’s commitment to sustainable value creation.

Natural capital management

Measuring and valuing natural capital enables companies to better manage the natural resources that support economic development and growth. A deeper understanding of how ecological systems contribute to human wellbeing is essential for assessing both the value derived from these resources and the investments required to sustain them.

Russell Investments expects companies to demonstrate awareness of their environmental resource usage, and to practice responsible environmental management that supports the long-term availability of natural assets. We also expect the implementation of sustainable environmental practices across operations and supply chains to mitigate material and reputational risks associated with the mismanagement of natural capital.

Addressing deforestation is a key focus for Russell Investments, and we advocate for disclosure as a critical first step. For companies with significant biodiversity exposure or operations in resource-constrained regions, we seek policies focused on restoration, preservation, and efforts to mitigate soil and water contamination.



Case study: Managing natural resources risk in the supply chain

Engagement Channel	Russell Investments direct
Country of Incorporation	Canada
Market Cap	CAD 46.2bn
Asset Class	Public Equity
Sector	Materials

Russell Investments engaged with a global gold and copper producer to assess its management of natural resource risks. Given its reliance on water, biodiversity, and waste management at mining sites, the company faces significant exposure to environmental risks that require proactive management.

The company has taken steps to enhance water stewardship by reducing consumption, increasing recycling, and collaborating with local communities on watershed management. However, quantifying its biodiversity footprint remains a challenge, delaying the establishment of clear targets. Additionally, waste management improvements have been made, but logistical hurdles persist due to the remoteness of mining operations.

Outcome

The company is actively working to improve its natural resource management by enhancing water stewardship, optimising waste management, and exploring ways to quantify its biodiversity footprint. It has implemented water recycling initiatives and engaged with local communities to strengthen watershed management. While waste reduction efforts are progressing, challenges remain in transporting materials from remote mining sites. Russell Investments will continue to monitor the company's progress, particularly its ability to establish measurable biodiversity targets, and further integrate natural capital considerations into its long-term strategy.

Human capital management

Human capital management is a critical component in company performance. It determines how companies attract, develop, and retain employees while providing working conditions that stimulate greater employee engagement. Human capital is material across all companies, hence we expect companies to provide meaningful and comparable disclosure in this area. Moreover, research shows that the relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time². The most diverse companies are now more likely than ever to outperform less diverse peers on profitability.

While human capital is perpetually important, tight labour markets lead to a greater focus on employee recruitment, retention, and inclusion. Furthermore, societal emphasis on gender, racial and ethnic equity continues to grow. We address this as a separate focus area given its significance.



Case study: Strengthening human capital risk management for long-term stability

Engagement Channel	Russell Investments direct
Country of Incorporation	United States of America
Market Cap	USD 151.6bn
Asset Class	Fixed Income & Public Equity
Sector	Industrials

In 2024, Russell Investments engaged with a U.S.-based technology platform company that connects consumers with transportation and delivery services. Our engagement focused on assessing how the company manages human capital risks, particularly in driver safety reporting, data transparency, and the implementation of recommendations from a third-party civil rights assessment (CRA). Given the potential regulatory, legal, and reputational risks tied to these issues, we sought to ensure the company's approach effectively supports its long-term operational resilience and workforce stability.

The company has taken steps to address key risks identified in the CRA, with its Equity Leadership Council overseeing the implementation of diversity, equity, and inclusion (DEI) and safety recommendations. Key performance indicators (KPIs) have been introduced to track progress, particularly in safety improvements that can reduce operational disruptions and legal exposure. However, the company acknowledged ongoing challenges in gathering and validating global safety data due to regional regulatory differences. Strengthening its reporting processes will be essential in meeting evolving compliance expectations and mitigating risks that could affect long-term business performance.

Outcome

Russell Investments recognises the company's progress in managing human capital risks, which directly influence driver engagement and retention, regulatory standing, and overall business sustainability. By enhancing safety protocols, improving transparency, and implementing CRA recommendations, the company is reducing potential legal and reputational risks. Given these improvements, we are closing our engagement while continuing to monitor how these efforts contribute to the company's long-term resilience.

²"Diversity wins: How inclusion matters". (2020, May 19). McKinsey & Company.

Available here: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

Diversity, equity, and inclusion

Empirical research consistently links diversity, strong governance, and long-term shareholder value. Russell Investments promotes diversity as a valuable tool to enable high-performing teams and strong business outcomes, and we encourage for greater transparency in workforce demographics and policies. In our view, clear disclosure benefits both investors and employees, helping stakeholders assess a company's culture and approach to equity and inclusion. Employees value workplaces where efforts are recognised and fairly rewarded, and companies should demonstrate how they attract, develop, and retain diverse talent.



Case study: Japanese board diversity and executive DEI

Engagement Channel
Country of Incorporation
Market Cap
Asset Class
Sector

Russell Investments direct
Japan
JPY 634.96bn
Public Equity
Financials

Russell Investments engaged for the second time with a regional bank located in Japan, to discuss improvements in board independence and gender diversity at the board and management levels.

While compliant with the Japanese Corporate Governance code, the company does have room for improvement, especially compared to global practices. Companies with greater gender balance tend to demonstrate higher financial performance, enhanced innovation, and improved workforce retention – all factors critical to sustainable growth. Russell Investments remains concerned about low gender diversity of the company, where women represent less than 10% of the board which is a longstanding issue. While the company acknowledges the need for improvement, identifying suitable female candidates remains a challenge.

Outcome

Russell Investments will continue to engage with the company to encourage greater board independence and monitor progress on gender diversity, with a particular focus on retention challenges at the management level. We will assess whether further escalation is necessary to drive meaningful change.

Board composition and accountability

The board of directors is central to corporate governance, representing shareholders and safeguarding their interests. Directors should promote the company's long-term success by acting on an informed basis, with good faith, care, and loyalty. This supports sustainable value creation for investors while considering the interests of other stakeholders.

At Russell Investments, we expect companies to have foundational governance structures that promote accountability, responsibility, transparency, responsiveness, diversity, and independence from company management.



Case study: Strengthening board accountability amid leadership controversy

Engagement Channel	Russell Investments direct
Country of Incorporation	South Korea
Market Cap	KRW 15.97tn
Asset Class	Public Equity
Sector	Financials

Russell Investments engaged with a South Korea-based financial services company to assess how the board is addressing shareholder concerns regarding the CEO's legal issues, and whether governance practices are evolving to ensure proper oversight and decision-making.

Approximately 40% of shareholders opposed the board's re-election, citing its failure to remove the CEO, who has been implicated in two major scandals – illicit hiring practices and the mis-selling of derivative-linked products (DLs). Shareholder dissent escalated after a higher court overturned a previous ruling and found him guilty. Despite this, the board upheld its decision to retain him, citing the presumption of innocence, as the ruling has been appealed to the Supreme Court, where a final decision is pending.

Given these heightened governance risks, our engagement focused on evaluating the board's accountability mechanisms and its ability to act in shareholders' best interests. Investor confidence remains at risk due to uncertainty surrounding leadership stability and potential regulatory consequences if the CEO's final ruling is upheld. The company's reputation and risk exposure could affect its valuation and ability to attract long-term capital, particularly if the board is seen as unresponsive to governance failures. While we found the company's succession and contingency plans to be broadly satisfactory, the board's reluctance to take proactive measures raises concerns about its ability to protect shareholder value and mitigate financial and operational risks.

Outcome

Russell Investments will continue to engage with the company to push for greater board accountability and independent oversight. We will monitor developments following the Supreme Court's final ruling on the CEO's case, and assess how the board responds in upcoming AGM materials and director elections.

Executive compensation

Russell Investments believes executive compensation should align the interests of a company’s management with those of shareholders. Programmes should offer clear and transparent disclosure, coupled with basic fairness in the use of shareholders’ capital to retain and incentivise management. Inappropriate and poorly designed remuneration structures have been a contributing factor to excessive and imprudent risk taking by individuals. Hence, we regularly engage with companies to ensure that remuneration packages effectively align the interests of the executive directors, the workforce, and shareholders with the company’s strategy and performance achieved.



Case study: Strengthening pay-for-performance alignment to protect shareholder value

Engagement Channel	Russell Investments direct
Country of Incorporation	United States of America
Market Cap	USD 228.08bn
Asset Class	Fixed Income & Public Equity
Sector	Information Technology

Russell Investments engaged with a U.S.-based technology company specialising in networking solutions. This engagement followed our proxy voting activity at the 2023 AGM, where we voted against the “Say on Pay” proposal for a second consecutive year. The primary objective was to assess whether the company’s executive compensation framework effectively aligns pay with performance, ensuring that shareholder value creation is reflected in leadership incentives.

At the 2023 AGM, approximately 25% of shareholders opposed the “Say on Pay” proposal, reflecting concerns over CEO pay levels and the use of one-time awards. A leading proxy advisory firm also recommended voting against the proposal, citing a disconnect between executive compensation and company performance relative to peers. In response to shareholder feedback, the company announced key compensation adjustments for the year fiscal 2025, including capping Performance Share Units (PSUs) at target if three-year absolute total shareholder return (TSR) is negative, and benchmarking pay decisions against the median of its peer group. While these changes indicate some progress, they do not fully resolve concerns regarding excessive pay levels and performance misalignment.

Outcome

While Russell Investments acknowledges the company’s adjustments to its executive compensation framework, we believe the changes do not go far enough in addressing pay-for-performance misalignment. As a result, and in line with our policy, we voted against the “Say on Pay” proposal again at the 2024 AGM. We will continue monitoring the company’s executive pay structure to ensure stronger alignment with shareholder interests and long-term financial sustainability.

5.2 Proxy voting

✓ **UK Stewardship Code – Principle 12**

✓ **Japan Principles for Responsible Institutional Investors – Principle 1, 5, 6**

✓ **The New Zealand Stewardship Code – Principle 2, 5**

For 30 years, Russell Investments has executed a robust, global proxy voting programme that is a foundation for its stewardship efforts. Russell Investments has documented Proxy Voting Policies and Procedures and maintains custom Proxy Voting Guidelines. Our Guidelines are a bespoke set of rules and policies, based on industry best practices and regulations that dictate how to vote on certain topics. Russell Investments' Guidelines are carefully drafted to result in votes that promote the best interest of clients. At least annually, our Active Ownership Committee ("the Committee") reviews and updates them to remain aligned with shareholders' best interests. The Voting Guidelines address most proxy issues with detailed specificity; however, the Committee recognises some issues require more scrutiny and a non-prescriptive approach. In those instances, the Guidelines refer the votes to the Committee for review. Our committee members are among our most experienced investment professionals around the globe.

As our external proxy administrator, Glass Lewis is responsible for aggregating proxy ballots received directly from Russell Investments' custodians, and for applying our custom Guidelines when executing proxy votes. Russell Investments' internal proxy coordinator monitors our voting activity via Glass Lewis' online platform and directs any proposals that require case-by-case review to internal proxy research analysts, who in turn provide a recommendation to the Committee based on individual and proxy administrator-provided research. The majority of proposals voted on by Russell Investments do not require case-by-case review – Glass Lewis applies our Guidelines directly. To ensure that Glass Lewis casts votes in accordance with our Guidelines, the Committee oversees an annual internal audit process to verify the accuracy of vote execution.

Our current Proxy Voting Guidelines are available to review in their entirety on our Sustainable Investing site [here](#).

Impact of 2024 guidelines updates

As described above, the Committee's annual review of our Proxy Voting Guidelines allows the Committee to remain abreast of regulatory updates and industry trends. Two amendments to the Proxy Voting Guidelines that were implemented for the 2024 proxy season made a considerable impact on our voting activity:

Streamlined approach to remuneration policies and reports.

- Russell Investments has applied a customised and evolving set of proxy voting guidelines for over a decade. These guidelines, initially developed with a region-specific focus on remuneration, have been regularly reviewed to ensure they remain aligned with evolving market standards. In 2024, following a comprehensive review by the AOC, we refined our approach to balance global consistency with the ability to address regional nuances where material. This update ensures greater alignment with industry best practices, while still allowing for context-specific considerations where justified.
- As part of this refinement, we updated or removed outdated regional provisions to reflect modern governance expectations. Importantly, this does not mean a shift away from rigorous scrutiny – rather, it ensures that our assessments are based on relevant, up-to-date criteria. This recalibration resulted in a 4% year-over-year decline in votes against compensation proposals, reflecting a shift to a more contextually appropriate framework while maintaining high standards of governance oversight.

Targeted approach to votes against directors

- To enhance clarity and effectiveness, we refined our criteria for withholding support from board candidates, ensuring alignment with evolving governance standards and material risks. In 2024, Russell Investments voted for 92% of director candidates – a 4% increase from 2023 – reflecting updates to better align with market expectations while maintaining rigorous oversight.



Case study: Proxy voting template choices for separate accounts

It is the nature of a global business to have a heterogeneous client base, facing different challenges and varied priorities. In 2024, a segregated account client came to us to help them navigate an increasingly strict environment of scrutiny regarding voting, particularly votes on shareholder proposals. While Russell Investments' bespoke guidelines provide a balanced approach to voting grounded in governance best practices and fiduciary duty, the client was seeking a specific approach to shareholder proposals that diverged from our standard approach and was more suitable to their voting priorities.

Outcome

Working with our proxy provider, we were able to help the client select a thematic voting policy that was more aligned with their specific needs. We were able to apply their chosen policy to their account, separate from our firm-wide policy. As a result, Russell Investments has worked with the proxy administrator to allow us to continue to support any separate account client's choice.

Looking ahead: 2025 guidelines updates

For the 2025 proxy season and as per annual practice, the Committee refined our Guidelines to enhance Russell Investments' consideration of various risks, practices and strategies, as well as to increase the efficiency of the voting process.



Case study: Annual proxy guidelines review

In the fourth quarter of 2024, Russell Investments' Active Ownership Committee undertook a comprehensive review and drafted updates to our Proxy Voting Guidelines. This initiative reflects our ongoing commitment to enhancing our stewardship practices and aligning them with evolving market trends and best practices. We aimed to ensure our voting guidelines stay robust, relevant, and aligned with our clients' interests through this process.

Outcome

The responsible investing landscape is constantly changing, and Russell Investments aims to keep pace with the regulatory environment. Updates to our custom voting guidelines for the 2025 proxy voting season were minimal and focused on continuing our efforts to promote global best governance practices, while maintaining flexibility for market-based regulation.

The 2025 version of Russell Investments Proxy Voting Policy can be found [here](#)

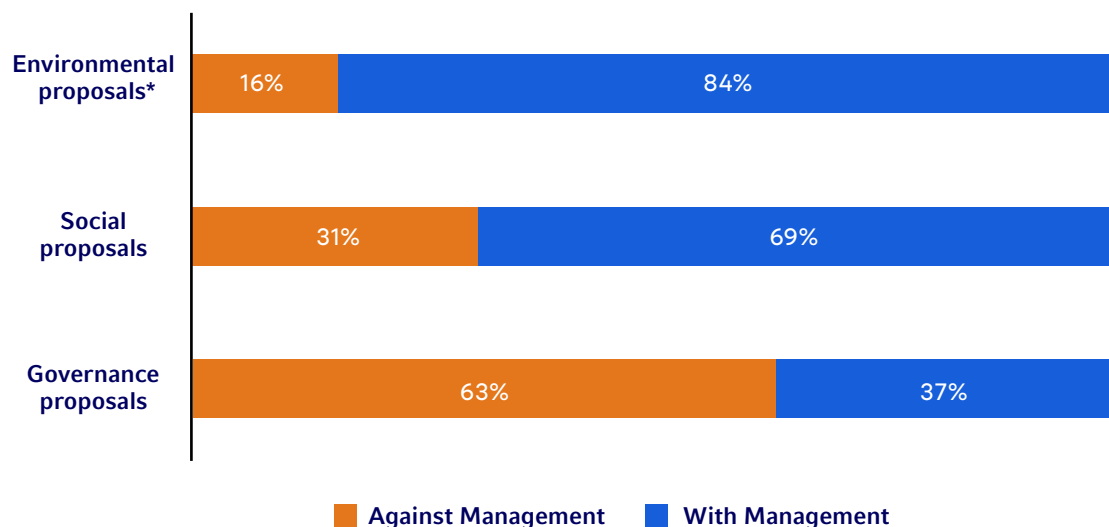
Referred Items

The Committee reviews those proposals that require more scrutiny and a non-prescriptive approach, and any proposals that are not specifically addressed in our guidelines. At Russell Investments, we believe good stewardship requires careful consideration of each proposal on its individual merits. To this end, the Committee evaluates each proposal, considering the following factors:

- Research conducted by our internal proxy analyst,
- External research from our proxy administrator,
- External research from Sustainalytics,
- Input from our sub-advisers on voting and engagement, and
- Input from the Active Ownership Team when a Russell Investments direct engagement has been previously conducted.

During 2024, 783 proposals were referred to Russell Investments' internal proxy analysts, either because our Guidelines dictated case-by-case review, or because the proposal topic was not covered by the Guidelines. Of the referred proposals, 63% were evaluated and voted on by the Committee. The remainder of the referred proposals were of a technical nature, so our internal proxy analysts were able to make a vote decision based on careful application of existing proxy voting guidelines without additional input from the Committee. An overview of how the Committee has voted is provided on the graph below:

Exhibit 34: Russell Investments votes on referred items



*Includes say-on-climate proposals.

Source: Russell Investments, data as at 31 December 2024.

The Active Ownership Committee had the highest rate of support for governance-related shareholder proposals. Russell Investments emphasises the importance of shareholder rights, which is reflected in our voting support of proposals which request:

- Right to Call a Special Meeting
- Independent Board Chairman/Separation of Chair and CEO
- Elimination of Supermajority Provisions

Voting across asset classes

The right to exercise our votes through non-equity asset classes varies by the type of asset and even among individual investments. In all circumstances, we seek to achieve mutually beneficial outcomes while being consistent with our fiduciary duty of protecting our clients' interests. In cases where we can exercise our voting rights on environmental, corporate governance, and social matters, we ensure that the same process and policies are applied across geographies and instruments.

- For fixed income assets, the number of occasions when Russell Investments will be engaged in proxy voting will be very limited. In 2024, the bondholder votes that Russell Investments cast were all of a technical nature.
- As mentioned in the engagement section, we actively participate in voting items for private markets. Details and case studies can be found in section 5.

Stock lending

As a fiduciary, Russell Investments maintains the voting rights for all holdings. We do not delegate voting to any of our sub-advisers, though we may reach out to a sub-adviser for additional information regarding specific proxy votes. Our proxy administrator, Glass Lewis, is responsible for managing the proxy ballots that Russell Investments receives based on our holdings, a process that is monitored in turn by Russell Investments' internal proxy coordinator using Glass Lewis' online Viewpoint platform. The proxy coordinator is responsible for ensuring all of Russell Investments' voting rights are exercised and conducts a quarterly review of accounts with voting rights against the accounts on record with Glass Lewis.

Our policy on securities lending, as it applies to proxy voting, ensures that we exercise voting rights on behalf of our clients. Glass Lewis currently produces a weekly report of shares with upcoming proxy votes that meet pre-determined criteria for potential restriction and/or recall. Russell Investments' policy requires a restrict/recall action for issuers that are either (1) undergoing M&A activity, or (2) issuers for which Russell Investments holds >2% of overall shares outstanding. Additionally, the Active Ownership Committee has discretion to restrict securities on a case-by-case basis. We restrict these securities (either 15 business days out from the record date, or as soon as we are notified, whichever comes first) from being loaned before their record date, recalling any loans as necessary. The restriction is lifted one business day after the record date.

Proxy voting activity in 2024

Proxy voting is a fundamental tool for listed equity, whereby shareholders are entitled to express support or concern with aspects of corporate governance, operations, or disclosures. As stewards of our clients' capital, we have an obligation to vote responsibly and hold companies to account on their behalf.

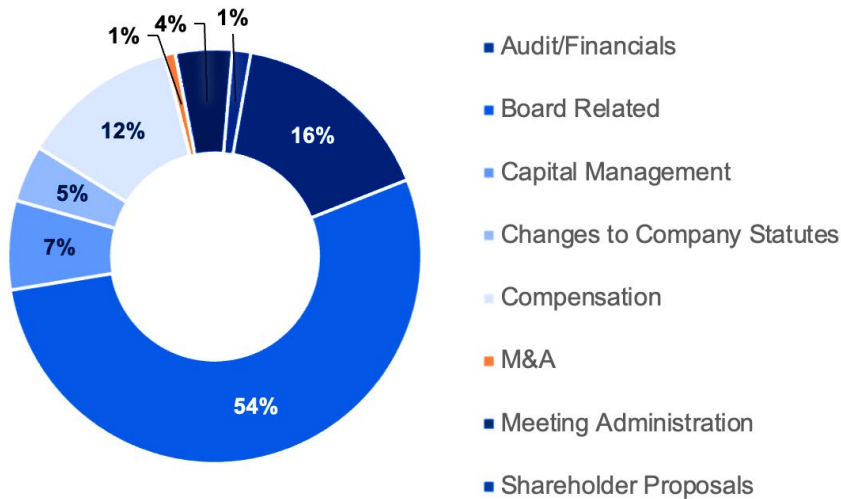
Russell Investments' proxy voting records are publicly available on our website [here](#). We do not publish vote rationales beyond those described in our custom Proxy Voting Guidelines.

Exhibit 35: 2024 proxy voting activity

9,265 Meetings voted	92,350 Proposals voted	1,305 Shareholder proposals	4,747 Votes against provider	8,049 Votes against management
98% Of eligible meetings	97% Of eligible proposals	1% Of total voting activity	5% Of proposals voted	9% Of proposals voted

Source: Russell Investments, data as at 31 December 2024.

Exhibit 36: Voting activity per topic

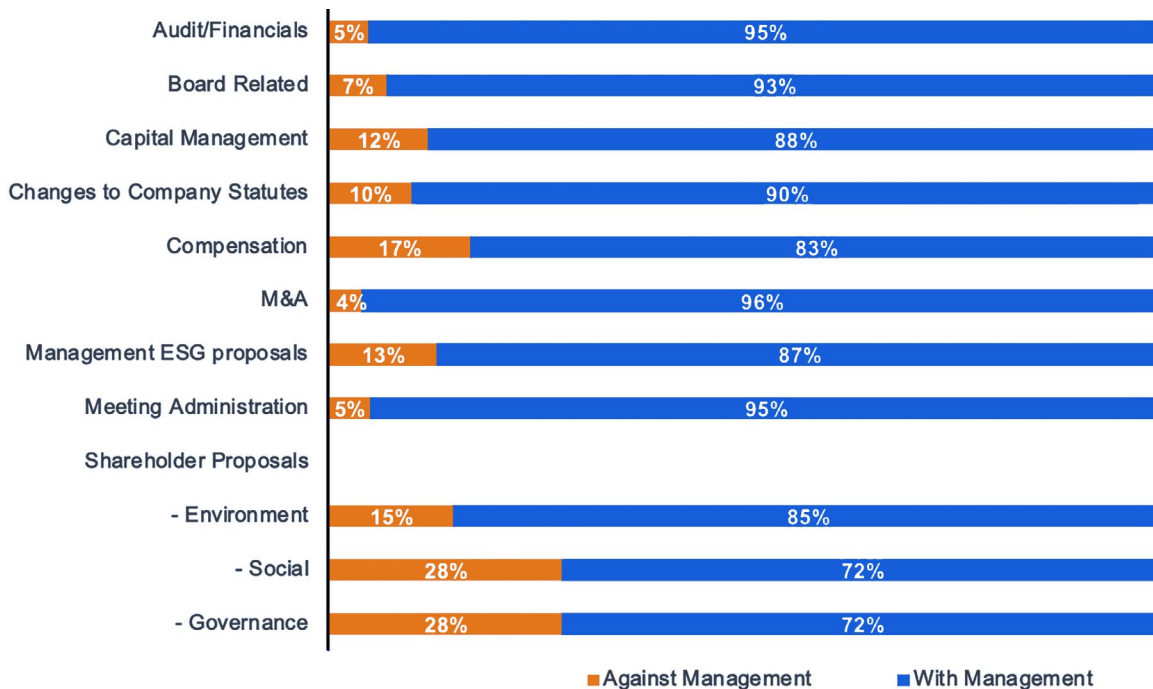


Source: Russell Investments, data as at 31 December 2024.

Proxy season overview

In 2024, Russell Investments voted on 92,350 individual proposals, representing 97% of proposals eligible, and on 9,265 individual meetings, representing 98% of meetings where Russell Investments was eligible to vote. As is usually the case, the majority of items voted relate to governance issues, with the largest portion being board related. The small percentage of unvoted meetings were due to share blocking, power of attorney markets (POAs), or operational barriers. Additionally, Russell Investments did not cast any proxy votes for Russian issuers that were subject to sanctions by any jurisdiction from 3 March, 2022 onwards. Our proxy administrator suspended their engagement and research with these companies following the Russian invasion of Ukraine, and as a result, we were unable to cast informed voting decisions and reached a decision to suspend voting action for these entities.

Exhibit 37: Votes by issue

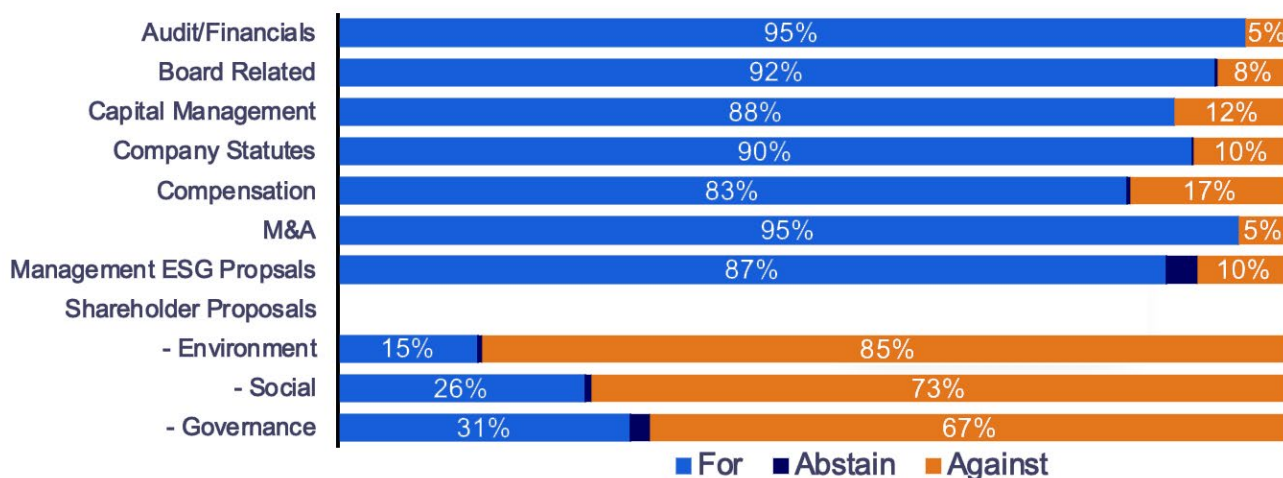


Source: Russell Investments, data as at 31 December 2024.

Russell Investments voted against management on 9% of proxy items and voted against Glass Lewis recommendations on 5% of proposals. 14% of votes against management were also against Glass Lewis' recommendation, which is reflective of the independence of Russell Investments' guidelines and voting activity.

Russell Investments' votes against management declined by approximately four percent year-over-year, however the largest portion of these votes - 46% of votes against management - remained against the election of director candidates. Over-boarding (Russell Investments will generally withhold support from candidates who serve on the boards of four or more public companies) and insufficient independence were the most frequently cited reasons for voting against a given director, coming up in just over half of our votes against director candidates. We also opposed management proposals on compensation, voting against approximately 17% of them.

Exhibit 38: Russell Investments voting behaviour

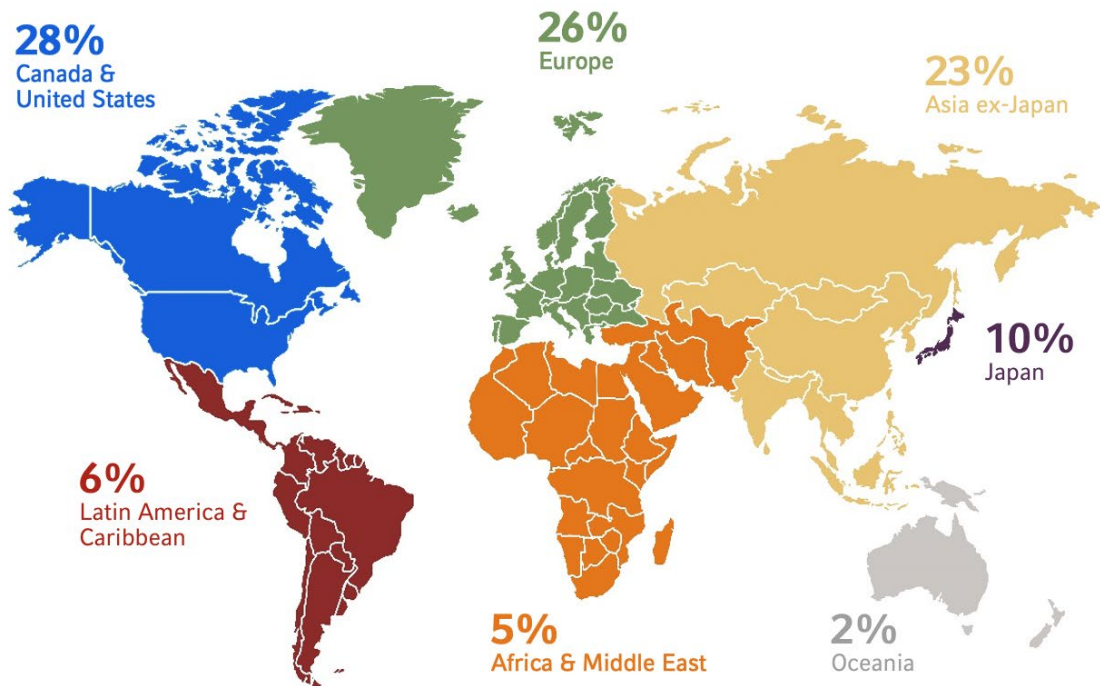


Source: Russell Investments, data as at 31 December 2024.

Proxy voting by region

Russell Investments applies a consistent proxy voting practice around the globe. We have exercised our votes across 86 different countries during 2024, with North America, Europe, and Asia ex-Japan making up just over three quarters of our voting activity. Oceania had the lowest voting activity registered.

Exhibit 39: Proxy voting distribution by region

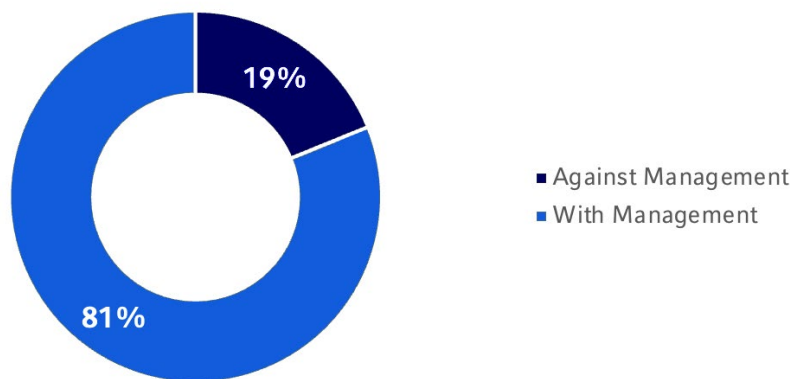


Source: Russell Investments, data as at 31 December 2024.

Climate risk-related proposals

During 2024, our voting activity has reflected our view of climate risk as financial risk. In this regard, Russell Investments has voted on 210 climate-change related proposals, including a meaningful portion that were say-on-climate management proposals. We voted with management on 81% of these proposals. Rates of support for environmental shareholder proposals have fallen industry-wide, due to several factors, including a proliferation of overly prescriptive proposals, and recognition that many issuers have advanced their decarbonisation strategies considerably, compared to several years ago when environmental shareholder proposals achieved peak levels of support. Russell Investments has reviewed all climate-related proposals on a case-by-case basis as a matter of policy since 2022, which has allowed our Committee to consistently support only those proposals which are beneficial to shareholder value.

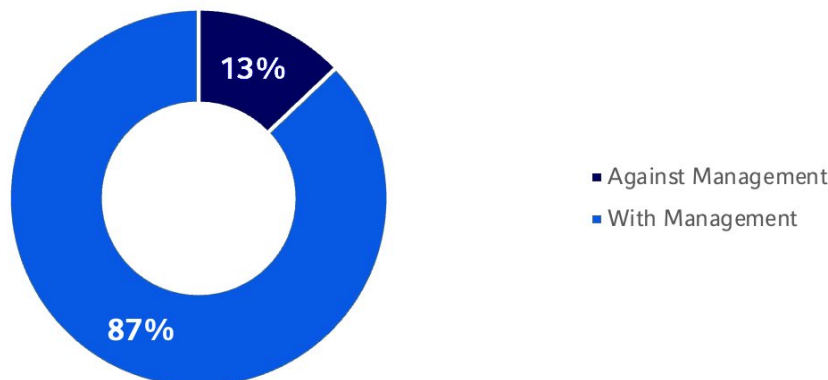
Exhibit 40: Votes on climate-related shareholder proposals



Source: Russell Investments, data as at 31 December 2024.

In line with our engagement focus areas, we have refreshed our voting guidelines regarding say-on-climate proposals. During the 2024 season, Russell Investments voted against the climate transition reports at three companies, out of 31 such management proposals brought forward for an advisory vote and supported climate transition plans at 27 additional companies. Twenty-one of the say-on-climate proposals were on the ballot at European companies, with the rest spread between Canada, Australia, and South Africa.

Exhibit 41: Votes on management say-on-climate proposals



Source: Russell Investments, data as at 31 December 2024.



Case study: Management say-on-climate proposal vs. shareholder proposal requesting transition targets at major energy company

Country of Incorporation	United Kingdom
Market Cap	£168.9bn
Sector	Energy

Management and shareholders alike have recognised the need for a climate change strategy, but tensions can arise between corporate strategies for transition and the goals that some shareholders believe should be set to manage long-term risk from climate change and GHG emissions. In some cases, management and shareholder proposal often have competing visions. Russell Investments evaluates every climate and transition-related proposal individually, based on the merits of the proposal, with our fiduciary duty to our clients to deliver long-term benefits as the ultimate driver of all voting decisions.

Proposal Type: Management proposal on Energy Transition

Management recommendation	For
Russell Investments Vote	Against

While the company has relatively robust targets and disclosure policies, the Active Ownership Committee had significant cause for concern regarding the company's overall strategy and thus the progress. In the past year, the company started to walk back some of the targets it had previously committed to, including a downward adjustment of its goal to reduce net carbon intensity of its energy products, from 20% by 2030 to a 15-20% target range. The company has also not disclosed an absolute Scope 3 target. The company should enhance its current disclosures to address some unacknowledged risks and provide transparency around the company's CAPEX alignment with its stated transition goals.

Proposal Type: Shareholder proposal requesting Scope 3 emissions targets and alignment with the Paris Agreement

Management recommendation	Against
Russell Investments Vote	Against

This resolution was binding in nature. Binding resolutions raise concerns because they limit the flexibility of the board to adapt to changing circumstances and make strategic decisions in the best interest of the company. Additionally, they can undermine the accountability of the board to shareholders, as it may feel constrained in its ability to exercise independent judgment.

Outcome

Russell Investments' Active Ownership Committee voted against both the management proposal and the shareholder proposal concerning transition strategy, for the second year. While the management proposal requested that shareholders provide assent to the progress made towards its stated climate strategy, Russell Investments retains meaningful concerns about the overall strategy despite management's forward progress, prompting the AOC to vote against management's proposal.

Conversely, while the Committee understood and generally supported the onus of the shareholder proposal in theory, we could not support a binding vote on this matter. Supplanting the judgment of the board in this case would have been inappropriate as it could, going forward, restrict management's ability to develop strategies to address the transition to a low-carbon economy in ways that would benefit shareholders.

Voting on social issues

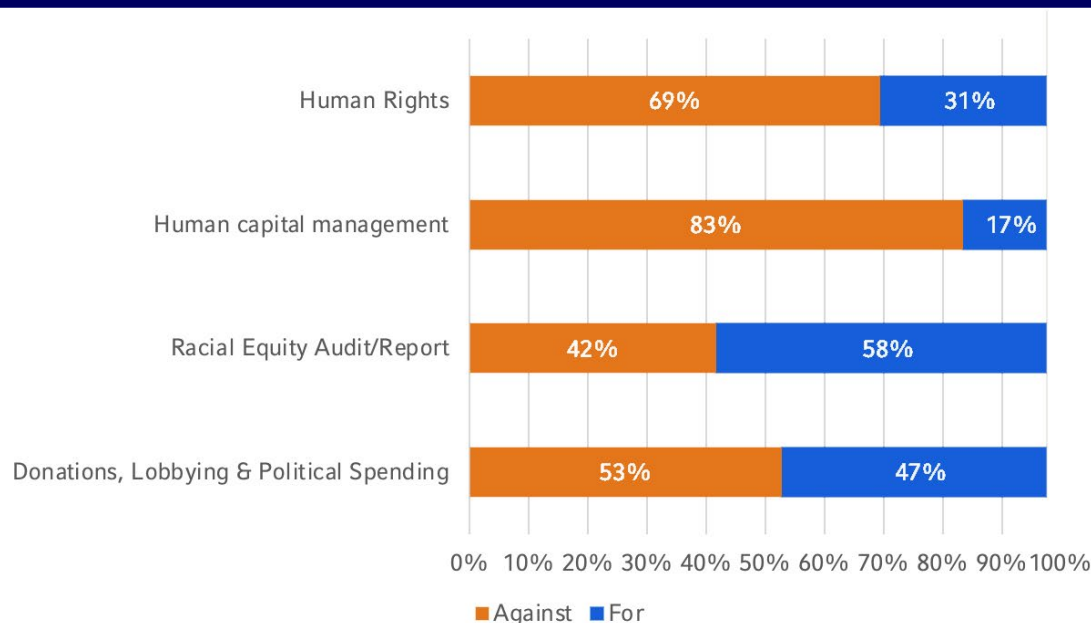
Our voting activity on social topics, including human capital management and human rights concerns, reflects an industry trend – as the total number of social shareholder proposals continues to increase on an annual basis, they are receiving less support overall. In our opinion, the proportion of proposals put forward by shareholders which have evidentiary basis for support has fallen. Not all shareholder proposals are created equal, which makes Russell Investments' case-by-case approach more important than ever. Russell Investments opposed approximately 70% of socially-oriented shareholder proposals in 2024, with the most frequently supported proposals pertaining to requests for increased disclosure at companies with public human capital controversies, while rejecting proposals that were redundant, overly prescriptive, or, as in the case of "Trojan Horse proposals," constructed in bad faith.

As part of our focus on human capital management, we will exercise our vote with companies that we identify as laggards, either by supporting a relevant shareholder proposal, or holding directors accountable by voting against their election at the shareholder meeting.

At Russell Investments, when assessing human capital related shareholder proposals, we consider taking voting action under the following conditions:

- Current practices and/or disclosures are deemed to be inadequate.
- The proposal addresses a peer relative deficiency.
- The proposal does not duplicate existing practices.
- The board failed to provide commitment to address the proponent's concerns.
- The topic is relevant to the company and sector in which it operates.
- If the proposal is overly prescriptive in detailing strategy/operational decisions, we may vote against.

Exhibit 42: Votes on human capital-related proposals



Source: Russell Investments, data as at 31 December 2024.



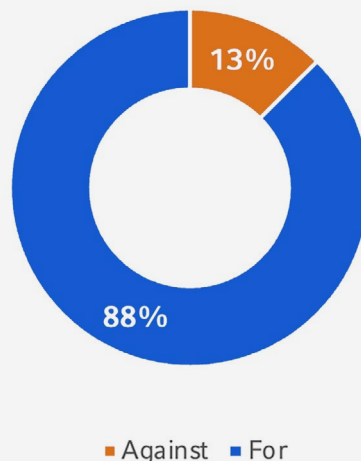
Case study: Voting on AI risk and governance

The use of Artificial Intelligence has become one of the most top-of-mind issues for business leaders in the last year. During the 2024 proxy season, Russell Investments voted on seven shareholder proposals relating to the governance and risks of using AI.

Outcome

The Committee had a higher rate of support for AI-related proposals compared to other social categories. The proposals generally requested enhanced disclosure that would allow shareholders to better understand the attendant risks and mitigation efforts, as overseen by the board of directors. As the field develops, it is important for boards to prioritise transparency for shareholders.

Exhibit 43: Voting on Artificial Intelligence proposals



Source: Russell Investments, data as at 31 December 2024.

Holding the board accountable through voting

Good governance is the starting point for sound management. Russell Investments' Proxy Voting Guidelines support governance structures that ensure management and board members maintain independence, objectivity, and act in the best interest of shareholders. We also emphasise the importance of shareholder rights.

As active ownership and engagement continue to be crucial tools for responsible investing, it is paramount that boards are prepared to collect and respond to shareholder feedback, particularly when a company receives significant dissent at their AGM. Best governance practices will include a formal process for the board to engage with shareholders, and where this is not in place, a company is likely to face increasing shareholder discontent. Engagement is an opportunity for a company to bridge any gaps in understanding – companies which do not have an effective mechanism for shareholder engagement are likely to see increased opposition to management proposals.



Case study: Voting against say-on-pay following an unsuccessful engagement

Country of Incorporation	United States
Market Cap	USD 942.3bn
Sector	Consumer Discretionary
Management recommendation	For
Russell Investments Vote	Against

Russell Investments' Active Ownership Team conducted an engagement with a U.S.-based company to address concerns regarding the company's executive compensation package for the CEO, pertaining to the excessive payout of a stock option award. Russell Investments had previously opposed the package when it was initially presented in 2018 due to the highly dilutive impact of an award with potentially excessive quantum payout.

Outcome

The Committee voted against the proposal to ratify of the stock option award, along with over 23% of the vote. While the company is making an effort to engage with shareholders, the engagement is primarily aimed at securing support rather than providing a comprehensive rationale for the potential implications of the award – particularly excessive dilution and concentration of ownership – or offering transparency into the board's decision-making process.



6. Policies, processes, and procedures supporting responsible investing

6.1 Conflicts of interest policy

- ✓ **UK Stewardship Code – Principle 3**
- ✓ **Japan Principles for Responsible Institutional Investors – Principle 2**
- ✓ **The New Zealand Stewardship Code – Principle 6**

At Russell Investments, we maintain a governance framework that is designed to ensure a coordinated and consistent approach to the management of conflicts of interests across all regions in which we operate. Our culture, supported by the Global Code of Conduct, recognises the fiduciary duties that we owe to our clients, and promotes the ethos of ensuring client interests are put ahead of both the firm's interests and the personal interests of its associates. As a fiduciary, we are expected to eliminate or mitigate conflicts of interests and to make full disclosure of all material conflicts to our clients.

The Russell Investments Global Conflicts of Interest Policy provides guidance in identifying and handling actual and potential conflicts of interest in the operation of its business, and each region has a supplemental conflict of interest policy to meet specific jurisdictional requirements. Together, our global and local policies are in place to manage all potential or actual conflicts of interest in the best interests of our clients. Associates are required to comply with the Global Policy, but also the requirements of any applicable local conflict of interest policy in their jurisdiction.

Our Global Conflicts of Interest Policy is the responsibility of the Global Chief Compliance Officer who administers it with the oversight of Russell Investments' Global Risk Management Committee. It is reviewed regularly, with the latest review dated February 2024.

Management of conflicts

Russell Investments maintains a governance framework to ensure a coordinated and consistent approach to management of conflicts across all regions in which it operates.

The Russell Investments Global Conflicts of Interest Policy applies to all associates anywhere in the world, in connection with any activity related to Russell Investments or its business. Each associate is expected to avoid conflicts of interest where possible, and to play their part in identifying any conflicts of interest, enabling Russell Investments to take appropriate action to eliminate or mitigate the conflict, and/or make appropriate disclosures to our clients.

The controls which Russell Investments has in place to manage each potential or actual conflict of interest include effective governance and stewardship; the segregation of duties; the creation of policies and procedures of information barriers; remuneration policies that remove direct conflicts of interest; or setting pre-determined individual approval limits, over which escalation and approval is required.

A number of global and regional committees have been established which play a key role in helping to ensure that the management of conflicts is embedded in business processes. Specifically, from a global perspective:

- The Global Risk Management Committee has been established to oversee Russell Investments' risk management framework, including investment, credit, and operational risk, and it administers the Global Conflicts of Interest Policy.
- The Affiliated Business Oversight Committee oversees selection of affiliated entities for investment advisory, brokerage, and other related services.
- The Global Trade Management Oversight Committee oversees and analyses trading arrangements and trade execution.

At a regional level, we have implemented local conflicts of interest policies and practices which are applicable to the requirements of the local jurisdiction and business, with oversight at a local level provided by the applicable management and governance bodies.

Where the organisational and administrative controls are deemed insufficient to effectively manage or prevent a potential or actual conflict of interest, or to ensure effective stewardship, the matter is escalated in accordance with the regional policies and procedures.

For example, for our EMEA businesses, a Conflicts of Interest Working Group has been established to assist in the management of potential conflicts, with its membership comprised of associates from business line management and support functions such as Legal, Compliance, Risk, and Operations. The working group considers and discusses all potential and actual conflicts of interest arising in relation to Russell Investments' business activities, whilst assessing the effective business management of those conflicts of interest. If it is not possible to manage a conflict of interest to a level of confidence that the risk of damage to a client's interests will be prevented, the Conflicts of Interest Working Group will identify the client disclosures that will subsequently be necessary. The Board of each EMEA Group Company is responsible for overseeing the implementation of arrangements to ensure effective stewardship and management of conflicts of interests, including reviews of the EMEA conflicts of interest policy. All situations identified as constituting a conflict of interest, or that may potentially give rise to a conflict of interest, are documented in the relevant conflict of interest maps, which detail the organisational and administrative controls in place to manage them.

Some common conflicts and controls which apply to Russell Investments Group are set out in the examples below:

Exhibit 41: Examples of conflicts and control procedures

CONFLICT	CONTROL PROCEDURES
Employees might be able to benefit from awareness of confidential trading activity undertaken by Russell Investments (e.g., personal account dealing in a security that forms part of a transition event, or is traded by the direct investing team - dealing ahead/front-running).	The Global Code of Conduct requires each of the regions to develop policies, standards and limitations regarding the personal trading activity of its associates to minimise the potential conflicts of interest relating to personal account dealing. Through regional policies, each associate is required to trade in their personal investment accounts lawfully, and in a manner which avoids actual or potential conflicts between the interests of the associate and the interests of Russell Investments in our clients. This includes an obligation to report certain accounts, holdings and transactions to regional compliance. In particular, associates are prohibited from trading, either personally or on behalf of others, on material, non-public information or communicating such information in violation of applicable law. They are also prohibited from purchasing or selling ahead of client orders. Any suspected instances of market abuse must be reported immediately to the regional Compliance team for investigation.
Employees could be induced to enter into contracts with third parties, to the detriment of a segregated or fiduciary management client, or funds (where Russell Investments acts as an Adviser/Investment Manager or distributor). Employees might induce a client, distributor, money manager, or other service provider into doing business with Russell Investments where this is not in the best interest of other clients or funds.	Associates are strictly prohibited from offering, paying, or accepting remuneration or consideration for the purpose of improperly influencing the actions of government officials, political parties, candidates for public offices, or others. They are also required to exercise particular care when extending common business courtesies to public officials. Regional offices have specific practices relating to anti-bribery and corruption in alignment with local regulatory and statutory standards, but there is a global requirement for associates to promptly report any bribery or corruption concerns to their regional compliance department or legal department.
Poor product design could adversely affect end clients, or lead to problems with market integrity by enabling the firm to mitigate and/or dispose of its own risks or exposure to the underlying assets of the product where the firm already holds the underlying assets on own account.	Russell Investments operates comprehensive procedures relating to product governance. The Global Product Governance Committee is the top-level governing body for all product approvals and amendments, and it delegates some authority to local product committees on a regional basis. As part of the product governance process, the relevant product committee will consider potential conflicts for this specific issue, with all potential issues assessed as part of the product development and management processes. For both new and existing products, consideration is given to whether the product design or amendment/development introduces any new risks to customer best interests which may need to be mitigated or disclosed.

Exhibit 41: Examples of conflicts and control procedures (continued)

CONFLICT	CONTROL PROCEDURES
Russell Investments' segregated, fiduciary management or other large clients investing in Russell Investments' funds ('target funds') may result in significant influence on the investment strategy of the target fund (i.e., so that the strategy is more aligned to the investing client(s) or, in the case of proposed significant redemptions, making a change to the investment strategy to keep clients within the target fund).	The investment strategies of Russell Investments funds are overseen by the asset class sub-committees and the ISC. Additionally, the relevant regional governing body will review the investment strategy as applicable. The Russell Investments portfolio managers provides written details of the investment strategy proposal to the ISC to ensure, amongst other things, the fair treatment of all investors. All proposals regarding initial investments required approval of the ISC.
Financial incentivisation/reward of portfolio managers may lead to inappropriate investment risks being taken (relative to the investment objective and policies) to protect employee compensation.	Russell Investments has a Global Remuneration Policy that considers market intelligence on compensation to be an important data point in the determination of both overall and individual pay levels for all Russell Investments employees, including senior executives and associates in risk and control positions. A Global Compensation Council reviews and approves compensation opportunities for individuals based on their job responsibilities and market levels of pay for organisations of appropriate size, business segments, geography, complexity and profitability relative to Russell Investments. In addition to market levels of compensation, quantitative and qualitative assessments of Russell Investments' performance and individuals' contributions to that performance, including Russell Investments risk management, where applicable, are important determinants of incentive compensation outcomes. A global Sales Compensation Council (SCC) has been established to review and approve sales commission plans. The SCC comprises members of the global senior management team. In order to align incentives with clients, portfolio managers are compensated based on the performance of the portfolios managed, as well as on Russell Investments' profits.

At Russell Investments, in regard to stewardship, we have specific conflicts of interest controls in respect of activities surrounding employee outside interests, our active ownership, and our investment management practices. The following outlines the procedures for these areas:

Outside interests

Outside business interests or directorships can create conflicts of interest with an associate's obligations to Russell Investments, which could have an adverse effect on the ability to meet our obligations to our clients and our funds (where we act as adviser, investment manager, distributor or otherwise).

All outside business interests or directorships of associates must be formally declared in accordance with the Russell Investments Global Code of Conduct. Associates must obtain prior approval from their supervisor and their regional compliance department for any outside business affiliation, employment, or acceptance of compensation from any other person or entity including (but not limited to), the acceptance of directorships, governorships, or trusteeships, becoming an officer, director, or partner or any business organisation, or receiving compensation from another organisation. Detailed guidance is embedded in the Global Code of Conduct, for consideration in terms of how to approach outside business activities in respect of both employees and independent contractors of the organisation.

All new associates must certify that they have read and understand the requirements in the Russell Investments Global Code of Conduct, which includes requirements in respect of outside business interests. Associates must complete an annual declaration to certify they have read, understand, and continue to comply with the Global Code of Conduct.

Active ownership

The Russell Investments' Conflicts of Interest Policy does not specifically reference stewardship. However, the implementation of various processes to manage any potential conflicts of interest ensures that clients' interests are at the forefront in relation to stewardship. Our stewardship activities in relation to active ownership relate to proxy voting and corporate engagement, and we have processes to manage potential conflicts in both these areas:

1. Proxy voting conflict of interest procedures.

Where Russell Investments maintains the voting rights for underlying securities, it appoints a proxy administrator that acts within the guidelines set out in Russell Investments Proxy Voting Policy. Our proxy voting policies and procedures are designed to ensure that those proxy voting decisions: (i) are made in accordance with the best interests of clients; and (ii) enable the Active Ownership Committee to resolve any material conflicts of interest relating to voting and engagement. Further details on our Active Ownership Governance Structure can be found in the Governance of Stewardship section above.

Proxy Voting Guidelines are constructed to be aligned with international good practices and standards, and are applied to all votable proxy items, without exception, for issuers that currently have, or recently had, an existing relationship with Russell Investments, as either a client or vendor. Any votes that are not covered by the Guidelines, or any votes which require case-by-case review, are referred to the Active Ownership Committee for a review and vote. This process is further explained here.

For any votes referred to the Active Ownership Committee, potential conflicts of interest are mitigated by: (i) the committee structure itself, which requires a quorum for a final vote; and (ii) all votes submitted by committee members requiring a certification attesting that the voting member has no knowledge of any potential conflicts of interest between the client, Russell Investments and its affiliates, as well as no personal material conflicts (such as personal stock ownership).

2. Corporate engagement conflict of interest procedures.

Structural separation – Russell Investments maintains a segregated reporting structure between active ownership and client-facing employees. Consistent with this, only ID associates engage with and provide feedback to companies.

Transparent and consistent selection process: Russell Investments uses the same process to identify engagement targets across the board, without regard to any relationship with such parties.

Robust governance structure: The Active Ownership Team is required to seek approval from the firm's Investment Strategy Committee for all engagement targets identified, before taking any action (even in the case of those of a collaborative nature) to: (i) ensure decisions are made in accordance with the best interests of clients; and (ii) enable the Active Ownership Committee to resolve any material conflicts of interest relating to voting and engagement.

2024 Investment management

In most circumstances, Russell Investments acts as a manager of managers rather than investing directly in securities. We have identified the following potential conflicts in respect of this model and, as a result, have implemented appropriate controls to help mitigate these potential conflicts:

Exhibit 42: Examples of conflicts and control procedures

CONFLICT	CONTROL PROCEDURES
The inappropriate selection or retention of managers for commercial reasons, for example, appointing a money manager in return for AUM investment.	Our procedures for appointment retention and termination of managers follows a quantifiable process based on the ability of the money manager's product to contribute meaningfully towards the fund's/client's overall risk and return objective, and is overseen by the entity-level and global committees.
Unfairly allocating to high-ranked managers across certain clients or fund complexes, using up their spare capacity, and inappropriately disadvantaging another client or fund complex.	The segregation of duties between the research analysts responsible for manager rankings and recommendations, and the go-to-market sales team, who might have commercial rather than investment reasons for selecting a manager.
Recommending frequent money manager changes to a client in order to increase revenue for Russell Investments.	Research Analysts receive no incentives to favour one manager over another. Such analysts are therefore not directly influenced by AUM inflows, distributor relationships, client relationships or commercial profit margins. Any changes made or recommended are done so based on clear procedures for appointment, as alluded to above.

Managers are required to manage their own conflicts of interest in accordance with the Russell Investments' Conflicts of Interest Policy, or with the manager's own equivalent standard of policy. We monitor any material violations of these policies by the managers.

As part of the firm's ongoing due diligence process, managers' control environments are evaluated for their ability to mitigate conflicts of interest through ongoing employee training; use of monitoring processes and systems; their internal testing of controls; and their governance process to address conflicts identified.

Outcomes to managing conflicts in practice

Below, we provide examples of how we have addressed actual or potential conflicts in 2024 in relation to stewardship.



Case study: Review of procedure for managing conflict of interest pertaining to proxy voting for certain EMEA-based clients

Russell Investments' EMEA Conflicts of Interest Working Group reconsidered the potential conflicts arising from Russell Investments exercising proxy votes on behalf of certain clients and whether there was sufficient process around this within EMEA. The Working Group determined that Russell Investments would not exercise its vote until there had been a robust approval process which must include: (i) identifying a specific forum to consider each specific issue relating to proxy voting; and (ii) considering whether the proxy voting decision was in the best interests of the Client.

Outcome

The Working Group elected the Russell Investments Limited Management Committee as the appropriate forum to consider any specific conflicts which were raised in relation to proxy voting on behalf of a client within EMEA.



Case study: Identifying and resolving individual conflict of interest

Russell Investments considered pitching for an investment services opportunity. Within the pitching team was a relative of the prospect's owner. The Conflicts of Interest Working Group discussed this matter. They confirmed that the relative would generally not be involved in the pitch. The Working Group evaluated factors such as individual influence, nature of the service, pricing, risk of preferential treatment, and demands on the investment division to service the prospect. The Working Group determined that the relevant Russell Investments associate must receive appropriate training to understand potential conflicts and how to manage them.

Outcome

The Working Group concluded that there was no conflict from the company's perspective, allowing Russell Investments to pitch for the opportunity.

6.2 Diversity and inclusion

✓ **UK Stewardship Code – Principle 2**

✓ **Japan Principles for Responsible Institutional Investors – Principle 1**

✓ **The New Zealand Stewardship Code – Principle 1**

As a global company, we recognise the benefits of different sources of insight and knowledge. Valuing diversity gives us an advantage by pooling ideas and providing solutions from more than one point of view. Effective management of diverse perspectives enriches our culture and increases our ability to provide innovative solutions to our clients, while adding value to our shareholders and community.

Diversity is an integral part of our long-term growth strategy. Our ability to fulfil our purpose of making financial security more achievable for people hinges on the quality of our workforce and our ability to provide appropriate solutions to a diverse group of clients. Our approach to diversity and inclusion spans our internal corporate diversity efforts, as well as those of third-party service providers. Details of our diversity efforts with regard to third-party service providers are covered under section 4.3. Below, we provide an overview of our internal corporate efforts on this subject.

Internal corporate diversity and inclusion efforts

Diversity, Equity, and Inclusion (DEI) is included in Russell Investments' Corporate Social Responsibility (CSR) efforts, which are sponsored by Kristin Ganong, Chief Marketing Officer. Russell Investments does not set specific benchmarks or targets in relation to DEI and instead believes that DEI is every associate's responsibility in every part of their work. Russell Investments holds the continued objective to attract, develop, and retain the best talent by creating equitable opportunities and striving to eliminate barriers and bias.

Our stated purpose is to create an inclusive work environment that is free from discrimination and harassment, emphasising our commitment to treating associates with respect. Equal opportunity extends to all employment aspects including hiring, promotions, transfers, terminations, training, working conditions, compensation, and benefits. Decisions pertaining to employment must not be discriminatory, based on any characteristic protected by law.

As our understanding is ever-evolving, below we provide an overview of specific ways we build upon and encourage diversity, equity, and inclusion across the firm.

DEI oversight

Russell Investments has a CSR Council whose purpose is to foster a culture of engagement, inclusion, and development amongst Russell Investments associates. Through sponsorship of global Associate Resource Groups (ARGs), Community Engagement, Wellbeing, and Social Councils, the CSR Council sets the overarching diversity, equity, and inclusion strategy and oversees its execution, ensuring Russell Investments continually works to attract, develop, and retain the best talent.

Russell Investments encourages multiple ARGs to create and facilitate programming for associates that will continually celebrate and promote the attraction, development, and retention of our talent. ARGs include:

- Women's Associate Resource Group
- Black Associate Resource Group
- LGBT & Allies (LGBTA) Associate Resource Group
- Veterans Associate Resource Group
- Disability+ Associate Resource Group

Under the CSR Council structure, we have a Global Community Engagement Council, a Global Sustainability Work Practices Group, and regional Social Councils which all collaborate with our Associate Resource Groups on programming and initiatives.

Recruitment initiatives

- Attract the best talent to Russell Investments by creating equitable opportunities and striving to eliminate barriers and bias in the selection process.
- Continually expand upon search criteria and sourcing to reach the widest possible talent pool.
- Strive to ensure every interview panel is made up of a diverse base of Russell Investments associates to assess candidates from varied points of view and to create an inclusive candidate experience.
- **In the Investment Division:** assign trained Talent Acquisition Ambassadors to each interview panel to provide more diverse points of view in assessing candidates.

Learning and development initiatives

- **Coach-to-Grow:** Select Investment Division associates are chosen to participate in an 18-month intense mentor/coaching programme with a senior member of the Investment Leadership team. Diversity of talent is always a key selection criterion for the programme.
- **Global leadership programme:** This programme brings together a group of associates from around the globe who engage in a variety of learning and coaching opportunities to hone their leadership skills. Participants are selected due to strong performance and potential, the followership they engender, their strategic approach, and the way they uphold the Russell Investments culture.
- **Manager impact training:** This training is intended to be foundational for all managers, regardless of tenure or experience. This 3-part series is appropriate no matter how long you have been a manager and leader at Russell Investments or in your career.
- **Manager fundamentals:** These sessions are intended to be foundational for new managers. This training provides foundational knowledge on relevant regional policies and offers insights into best practices for addressing common scenarios in people management.

Mentorship programmes

Russell Investments has hosted a variety of mentorship and sponsorship programmes over time. Currently:

- **Traditional mentorship:** Russell Investments hosts an on-demand mentorship programme whereby managers can nominate direct reports in good performance standing to be mentored by a more senior leader.
- **Coach-to-Grow:** Select Investment Division associates are chosen to participate in an 18-month intense mentor/coaching programme with a senior member of the Investment Leadership team. Diversity of talent is always a key selection criterion for the programme.
- **Mentor Up:** A mentorship programme operating in 4-month cycles tied to biennial talent review.

Additional information

- **Pay equality and disclosure:** Russell Investments conducts a full compensation review each year, ensuring equal pay for equal work and performance. Russell Investments voluntarily participates in the UK Gender Pay Gap initiative most years.
- **Policies and performance goals:** Russell Investments ensures its global and regional policies are inclusive and free from bias.
- **Global volunteering programme** whereby volunteer hours are matched and associates are afforded two days off for volunteer activities of their choice per year.

Promoting diversity

The following incentives are in place globally to promote diversity:

- **Code of Ethics and Global Code of Conduct:** Both Codes support overall ethical conduct and include statements on anti-harassment and anti-discrimination that must be adhered to across the firm.
- **Global citizen goals:** These goals are assigned to all associates (manager and individual contributor versions), and our associate year-end bonus compensation is dependent upon succeeding with these objectives.
- **Individual contributor:** Demonstrates good corporate citizenship by living Russell Investments' values and principles and contributing to our culture of compliance, meritocracy, inclusivity, and diversity.
- **Leadership:** Serves as a role model for Russell Investments' leadership behaviours, values, and principles. Demonstrates good judgment with a focus on strengthening our culture of compliance, meritocracy, inclusivity, and diversity.

Further details of our efforts in this space can be found on our [website](#).

6.3 Policy advocacy and collaborations

✓ **UK Stewardship Code – Principle 4, 10**

✓ **Japan Principles for Responsible Institutional Investors – Principle 1**

✓ **The New Zealand Stewardship Code – Principle 7**

We actively collaborate in initiatives with industry participants, regulatory working groups, and other stakeholders to collectively deliver a well-functioning financial system. Over the course of 2024, we have contributed to the activities of the following organisations. As outlined in the Collaboration section above, we made a strategic decision to exit three investor-led collective engagement initiatives – Climate Action 100+ (CA100+), the Net Zero Engagement Initiative (NZEI), and Nature Action 100 (NA100) – at the end of 2024. This move follows a comprehensive review and reflects our commitment to aligning with our clients' evolving priorities by strengthening our in-house approach to climate and nature-related risk assessment.



Principles for Responsible Investment (PRI)

As a signatory to the PRI since 2009, Russell Investments has a longstanding relationship with the organisation and has completed PRI assessments annually. Russell Investments incorporates the PRI principles into our processes including through manager research, portfolio management, and proxy voting and engagement. Furthermore, we purposefully assess the initiatives and consultations driven by PRI, and we participate where relevant.



Institutional Investors Group on Climate Change (IIGCC)

We have been a member of IIGCC since 2015, actively collaborating and participating at industry events and seminars. We also contribute to consultations as and when there is an opportunity to do so.



Transition Pathway Initiative (TPI)

We leverage the independent research and data from TPI to facilitate information sharing and collective knowledge building. Moreover, we have completed the mapping of this open source to set our own targets towards our net zero commitment.



Carbon Disclosure Project (CDP)

We use the global disclosure system provided by CDP as one of several sources that help us to manage environmental impact in our portfolios. We have also collaborated with CDP in engagement campaigns; for example, during 2022 we supported a campaign that targets 1,200 high impact companies on committing and setting a 1.5 degree-aligned, SBTi approved science-based emissions reduction target.



Task Force on Climate-related Financial Disclosures (TCFD)

We have embedded the TCFD framework in our stewardship activities and regularly engage with companies in this area. More details have been provided in the engagement section of this report.



The Net Zero Asset Managers initiative

Russell Investments remained a member of the Net Zero Asset Managers Initiative through year end 2024. In early 2025, the initiative suspended its reporting activities and launched a review with the aim of evolving with changing regulatory and client expectations. Regardless of the outcome of that review, we remain committed to work in partnership with interested clients on goals consistent with an ambition to reach net zero emissions by 2050 or sooner across their assets under management. Further information can be found [here](#).

6.3 Policy advocacy and collaborations



Institutional Investing
Diversity Cooperative

Institutional Investing Diversity Cooperative (IIDC)

IIDC members meet regularly to discuss key initiatives and specific action items that can encourage asset managers to offer more robust and comprehensive diversity data. We are actively involved in IIDC through regular meetings, ad-hoc sub-committee projects, and industry event speaking opportunities.



Investment Association (IA)

Collaborations in 2023 include attending multiple industry seminars and responding to the FCA proposed rules on sustainability.



Investors Against Slavery and Trafficking Asia Pacific (IAST APAC)

Russell Investments is a participating investor in the Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) initiative. This is an investor-led, collaborative project. It was established in 2020 to engage with companies in the Asia-Pacific region to promote effective action in finding, fixing, and preventing modern slavery in operations and supply chains.



Investment Company Institute (ICI)

We support the organisation to advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets, and related products and services.



Securities Industry and Financial Markets Association (SIFMA)

Russell Investments supports SIFMA to advocate on legislation, regulation, and business policy that affects retail and institutional investors, equity and fixed income markets, and related products and services.



Responsible
Investment
Association
Australasia

Responsible Investment Association Australasia (RIAA)

We actively contribute to the RIAA to ensure capital is aligned with achieving a healthy society, environment, and economy. Russell Investments has three of its Australian funds certified by RIAA. RIAA's Certification Symbol is recognised by investors and consumers across the region, providing confidence that a product or provider is delivering on its responsible investment promise, and meeting the Australian and New Zealand standard for responsible investing.



Department of Labor (DOL)

In the United States, we have joined industry trade associations and worked directly with the Department of Labor to improve the language associated with how The Employee Retirement Income Security Act of 1974 (ERISA) plan sponsors consider financially-material factors related to sustainability.



Case study: Collaborative consultations and advocacy

Throughout 2024, Russell Investments actively cooperated with various consultations organised by industry groups and regulators. These consultations comprised a range of activities, including participation in questionnaires, completion of surveys, and attendance at working group meetings. Through these channels, Russell Investments took the opportunity to contribute our insights and expertise, thereby influencing the trajectory of collaborative programmes and providing strategic advice to shape the direction of industry bodies.

Outcome

Collaboration Group	Consultation
CDP	SBTi Engagement Campaign
FRC	UK Stewardship Code Consultation
IIGCC	IIGCC strategy for 2024 and beyond
Nature Action 100	Benchmark Indicators
TNFD	TNFD investor survey on corporate reporting preferences

Thought leadership

We provide a range of training and development opportunities for our client base to ensure that our clients are kept abreast of key industry developments, as outlined previously in this report. During 2024, Russell Investments published 11 [blog posts](#) relevant to responsible investing. These posts were written by investment professionals across various regions and teams, reflecting our broad range of services and diverse client base.

6.4 Reviewing policies and processes

✓ **UK Stewardship Code – Principle 5**

✓ **Japan Principles for Responsible Institutional Investors – Principle 1**

✓ **The New Zealand Stewardship Code – Principle 2**

Russell Investments' policies cover all aspects of our investment and business practices, including our stewardship approach. We maintain specific policies on voting, engagement, climate risk, sustainability risk, and responsible investing, which are reviewed at least annually by the Global Responsible Investing team. Our Compliance and Legal teams continually review the regulatory landscape and add and refresh policies to ensure we are up to date with regulatory requirements. Furthermore, these reviews verify that our research aligns with best practice.

Our governance oversight combines formal and informal feedback loops. Metrics are generated on a range of ongoing practices; these metrics are calculated regularly for items that are subject to ongoing review such as performance assessment, portfolio risk exposures, compliance guideline reporting, and productivity metrics.

In addition to regularly reviewed reports, ad hoc studies are conducted from time to time. These reports and studies encompass a broader set of data over a range of time periods and are typically focused on a particular aspect of our investment process that we are seeking to assess and improve.

When undertaking analysis, we aim to use the same underlying data and metrics that inform our investment decision-making and policy review process, which we use for client reporting and submissions to regulatory bodies. This alignment helps ensure that our evaluation and reporting practices for both internal and external uses are fair and accurate.

Internal audit

In addition to continuous reviews and feedback loops, an independent Internal Audit (IA) team undertakes a rolling agenda of review on a range of key investment activities. The purpose of Russell Investments Group Internal Audit function is to provide independent and objective assurance and consulting services designed to improve the organisation's controls and operations. Internal Audit accomplishes this by providing risk-based and objective assurance, advice, and insight to enhance and protect organisational value. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to test, evaluate, and improve the effectiveness of governance, risk management, and control processes.

The Russell Investments Group Internal Audit function utilises a risk-based approach in developing the annual audit plan. The audit universe of key processes is assessed to focus the audit plan on the areas of highest risk. Any issues identified by Internal Audit require management action plans (MAPs) and are tracked to resolution by Internal Audit. The status of open issues is regularly reported to relevant boards and audit committees. Internal Audit validates resolution to close issues identified.

The IA process involves a structured assessment of key processes and risks, including detailed testing of mitigating controls across the organisation. These audits are designed to assess if systems and procedures are effective, efficient, and function as designed, thereby helping ensure:

- Risks are appropriately identified and managed;
- Quality and continuous improvement are fostered in the organisation's control process;
- Significant financial, managerial, and operating information is prepared accurately and reliably; and
- Resources are adequately protected.



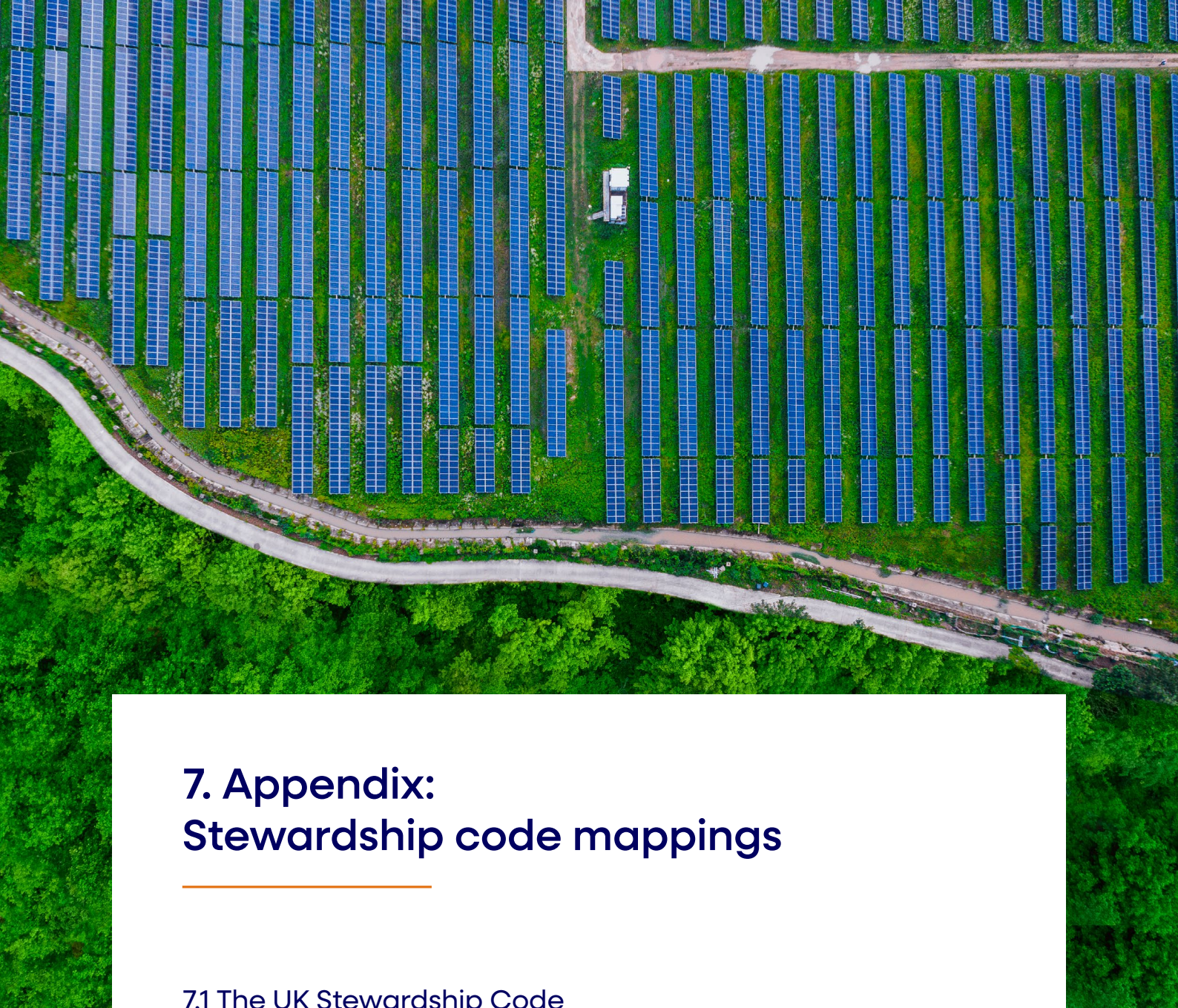
Case study: Internal responsible investing audit

During our last major audit in 2023, as part of our internal risk management processes, Russell Investments Risk Team conducted a comprehensive review of all processes and procedures related to ESG-related practices, active ownership, and responsible investing. The audit, which took place over several months, delivered improved efficiency and governance across all contributing business units.

Outcome

The outcome of the audit led Russell Investments to reinforce mechanisms which connect daily responsible investing work to the Investment Strategy Committee to achieve stronger oversight. Russell Investments has three committees which now provide regular, direct updates to the ISC on responsible investing matters – the Global Exclusions Committee, the Active Ownership Committee, and the Investment Division Responsible Investing Committee.

In addition, Russell Investments decided to increase the frequency of updates to the firm's Executive Committee (EC) from annual to at least semi-annual. The Responsible Investing Council (RIC) Heads and/or their operating committee sponsors provide updates on firmwide ESG and sustainable investing strategies and milestones including both internal KPIs and public commitments, such as the United Nations-supported Principles for Responsible Investment (UNPRI), The UK Stewardship Code, and the Net Zero Asset Managers Initiative. In addition, Russell Investments enhanced its training to relevant personnel of key ESG-related issues.



7. Appendix: Stewardship code mappings

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
Principle 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.	
Signatories should explain the purpose of the organisation and an outline of its culture, values, business model, and strategy		6 - 8
Signatories should explain their investment beliefs, i.e., what factors they consider important for desired investment outcomes and why		8 - 10
Signatories should explain what actions they have taken to ensure their investment beliefs, strategy, and culture enable effective stewardship		4, 5, 7 - 10
Signatories should disclose how their purpose and investment beliefs have guided their stewardship, investment strategy, and decision-making		5, 7 - 10
Signatories should disclose an assessment of how effective they have been in serving the best interests of clients and beneficiaries.		10, 11, 18, 20 - 29

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
Principle 2	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.	
	Signatories should explain how their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach.	30-37
	Signatories should explain how they have appropriately resourced stewardship activities, including their chosen organisational and workforce structures	30-37
	Signatories should explain how they have appropriately resourced stewardship activities, including their seniority, experience, qualifications, training, and diversity	35, 36, 109 - 111
	Signatories should explain how they have appropriately resourced stewardship activities, including their investment in systems, processes, research, and analysis	35 - 37, 38 - 45
	Signatories should explain how they have appropriately resourced stewardship activities, including the extent to which service providers were used and the services they provided	35 - 37, 53 - 60
	Signatories should explain how any performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making	37
	Signatories should disclose how effective their chosen governance structures and processes have been in supporting stewardship; and Signatories should disclose how they may be improved	30 - 34
Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	
	Signatories should disclose their conflicts policy and how this has been applied to stewardship	102 - 108
	Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.	102 - 108
	Signatories should disclose examples of how they have addressed actual or potential conflicts	108
Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	
	Signatories should explain how they have identified and responded to market-wide and systemic risk(s), as appropriate.	46 - 52
	Signatories should explain how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets.	21 - 24, 112 - 114
	Signatories should explain the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution, and an assessment of their effectiveness, with examples.	66, 67, 112 - 114

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
	Signatories should explain how they have aligned their investments accordingly.	46 - 52
	Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.	46 - 52
Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	
	Signatories should explain how they have reviewed their policies to ensure they enable effective stewardship	115, 116
	Signatories should explain what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach	115, 116
	Signatories should explain how they have ensured their stewardship reporting is fair, balanced, and understandable	14 - 17, 25 - 29
	Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes	115, 116
Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	
	Signatories should disclose the approximate breakdown of their client base, for example, institutional versus retail, and geographic distribution	11 - 13
	Signatories should disclose the approximate breakdown of assets under management across asset classes and geographies	11 - 13
	Signatories should disclose the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why	11, 18, 19
	Signatories should explain how they have sought and received clients' views and the reason for their chosen approach	25 - 29
	Signatories should explain how assets have been managed in alignment with clients' stewardship and investment policies	25 - 29
	Signatories should explain what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods, and frequency of communication to enable them to fulfil their stewardship reporting requirements.	14 - 17
	Signatories should explain how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries	25 - 29
	Signatories should explain how they have taken account of the views of clients and what actions they have taken as a result.	25 - 29
Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues and climate change, to fulfil their responsibilities.	
	Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include ESG issues of importance to them.	38 - 45

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
	Signatories should explain how integration of stewardship and investment has differed for funds, asset classes, and geographies	18 - 29
	Signatories should explain how they have ensured tenders have included a requirement to integrate stewardship and investment, including material ESG issues	18 - 29, 38 - 45
	Signatories should explain how they have ensured the design and award of mandates included requirements to integrate stewardship and investment to align with the investment time horizons of beneficiaries	18-29, 38-45
	Signatories should explain the processes they have used to integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries	18 - 29, 38 - 45, 50 - 52
	Signatories should explain the processes they have used to ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues	18 - 29, 38 - 45, 50 - 54, 58, 59
	Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries	18, 19, 45, 69, 70
Principle 8	Signatories monitor and hold to account managers and/or service providers	
	Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.	53 - 60
	Signatories should explain how the services have been delivered to meet their needs	53 - 60
	Signatories should explain the action they have taken where signatories' expectations of their managers and/or service providers have not been met	53 - 60
Principle 9	Signatories engage with issuers to maintain or enhance the value of assets	
	Signatories should explain how they have selected and prioritised engagement (for example, key issues and/or size of holding)	61 - 65
	Signatories should explain how they have developed well-informed and precise objectives for engagement with examples	61 - 65, 68 - 70, 71 - 75, 80 - 88
	Signatories should explain what methods of engagement and the extent to which they have been used	62, 63, 67, 71 - 74, 77
	Signatories should explain the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6	61 - 67
	Signatories should explain how engagement has differed for certain funds, assets, or geographies	71 - 75, 79
	Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.	80, 81 - 88

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	
	Signatories should disclose what collaborative engagements they have participated in and why, including those undertaken directly or by others on their behalf.	62, 63, 66, 67, 112 - 114
	Signatories should describe the outcomes of collaborative engagement.	66 - 67
Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers.	
	Signatories should explain how they have selected and prioritised issues, and developed well-informed objectives for escalation	64 - 65, 68 - 69
	Signatories should explain when they have chosen to escalate their engagement, including the issue(s), and the reasons for their chosen approach, using examples	68 - 69
	Signatories should explain how escalation has differed for funds, assets or geographies	68 - 69
	Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf	68 - 69
Principle 12	Signatories actively exercise their rights and responsibilities	
	Signatories should explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets, or geographies	89 - 96
	For listed equity assets signatories should disclose their voting policy, including any house policies, and the extent to which funds set their own policies	89 - 91
	For listed equity assets signatories should state the extent to which they use the default recommendations of proxy advisers	89 - 95
	For listed equity assets signatories should report the extent to which clients may override a house policy	89 - 91

7.1 The UK Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
	For listed equity assets signatories should disclose their policy on allowing clients to direct voting in segregated and pooled accounts	89 - 91
	For listed equity assets, signatories should state what approach they have taken to stock lending, recalling lent stock for voting, and how they seek to mitigate 'empty voting'	93
	For listed equity assets, signatories should disclose the proportion of shares that were voted in the past year and why	92 - 95
	For listed equity assets, signatories should provide a link to their voting records, including votes withheld if applicable	93
	For listed equity assets, signatories should explain their rationale for some or all voting decisions	90 - 92, 95 - 101
	For listed equity assets, signatories should explain how they have monitored what shares and voting rights they have	89, 93
	For fixed income assets, signatories should explain their approach to seeking amendments to terms and conditions in indentures or contracts	71 - 72, 93
	For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months	98, 100 - 101
	Signatories should explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets, or geographies	89 - 101

7.2 Japan Principles for Responsible Institutional Investors

PRINCIPLE	REQUIREMENTS	PAGES
Principle 1	Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities and publicly disclose it.	6 - 10, 53, 54, 61 - 101, 112 - 114, 115 - 116
Principle 2	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	102 - 108
Principle 3	Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities, with an orientation toward the sustainable growth of the companies.	61 - 88
Principle 4	Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	61 - 88
Principle 5	Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	89 - 93
Principle 6	Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	14 - 17, 93
Principle 7	To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies, and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies, their business environment, and consideration of sustainability consistent with their investment management strategies.	30 - 37
Principle 8	Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.	53 - 60

7.3 The New Zealand Stewardship Code

PRINCIPLE	REQUIREMENTS	PAGES
Principle 1	Signatories will establish, and publicly articulate, how their investment philosophy, governance structures, and resourcing supports the goals of effective stewardship.	6 - 10, 30 - 37, 112 -114
Principle 2	Signatories will develop and implement measurable and effective stewardship policies.	9, 11 , 14 - 29, 40 - 45, 49, 61, 89 - 92, 106, 115 - 116
Principle 3	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	18 - 29, 38 - 45
Principle 4	Signatories will engage regularly and effectively with underlying managers, issuers, and other key stakeholders	53 - 59, 61 - 88
Principle 5	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	89 - 101
Principle 6	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first, and explain their approach to managing any conflicts of interest that arise.	102 - 108
Principle 7	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.	66 - 67, 112 - 114
Principle 8	Signatories will regularly measure, and publicly report, on their actions taken to support stewardship, and demonstrate how these have contributed to the goals of effective stewardship.	14 - 17, 25 - 29, 80, 93
Principle 9	Signatories will invest to improve clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.	14 - 29



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