

# UK Stewardship Code Statement

DECEMBER, 2010

Russell Investments is a global investment management company that believes investors of all sizes can benefit from access to the world's leading money managers. To that end, we research, identify and select best-of-breed investment managers from around the world. We combine those managers together by creating portfolios of managers or carefully researched investment solutions for clients, who include some of the world's largest investors.

Russell recognises the increasing responsibilities of shareholders. Russell is a UNPRI signatory and supports the UK Stewardship Code. Russell believes that its corporate governance policies will evolve over time and we are committed to reviewing and modifying our policy as the business circumstances change and at a minimum annually.

This document provides a description of how Russell has applied the 7 principles of the UK Stewardship Code.

## PRINCIPLE 1

***Institutional Investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.***

As Russell's primary asset management business is centred on a manager-of-managers approach, Russell's investment research process does not include any primary research on public companies. As a result, Russell is not directly involved in weighing the specific costs and benefits of an environmental, social or governance (ESG) related initiative or its impact on shareholder value for individual public companies. However, Russell believes that voting proxy rights is an important responsibility of the firm and we give it serious attention. Our primary goal is to vote in the best interests of our clients and on a globally consistent basis. The Proxy Voting Committee has the responsibility for establishing and overseeing the proxy voting policies, procedures and guidelines. This governance structure provides Russell with the opportunity to discharge this aspect of stewardship in a globally consistent manner and to ensure that proxy voting decisions are made in the best interest of shareholders. Since Russell does not carry out primary research on individual public companies, our investment approach limits our ability to engage with companies in an informed manner. Furthermore, while particular ESG actions may be viewed to enhance the investment case for one particular manager in a fund, another manager holding the security in the same fund may take a different view or have a different process or timeline for engagement activities thus limiting our ability to engage in a consistent manner.

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Our Corporate Governance and Proxy Voting Principles can be found on the Fund Information page of our client website, ClientLink.

## **PRINCIPLE 2**

***Institutional Investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.***

Russell maintains Proxy Voting Policies and Procedures. These policies are designed to ensure that proxy voting decisions are made in accordance with the best interests of clients. To that end Russell has established a Proxy Voting Committee, which serves in a general oversight capacity. These policies are designed to enable the committee to resolve any material conflicts of interest between clients, on the one hand, and Russell Investments or its affiliates on the other, before voting proxies with respect to a matter in which such a conflict may be presented.

This document is available on the Fund Information page of our client website, ClientLink.

## **PRINCIPLE 3**

***Institutional Investors should monitor their investee companies.***

While Russell is not in a position to monitor investee companies directly, we have taken steps to ensure that new guidelines with managers include language that requires the manager to consider environmental, social, and governance factors in their investment decision making, to the extent that these factors are relevant and can be integrated into the manager's investment process.

In addition, Russell will periodically request notes related to engagement activities conducted by managers in the funds. These notes will be reviewed and any concerns will be raised with the manager.

## **PRINCIPLE 4**

***Institutional Investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.***

While Russell is not in a position to monitor investee companies directly, in cases where there is an upcoming AGM and Russell holds a material proportion of the outstanding shares, Russell will use best efforts to engage with the relevant money managers in an open dialogue and explore any insights or concerns the manager may have about the investee company prior to voting. This is rarely expected to occur.

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## **PRINCIPLE 5**

***Institutional Investors should be willing to act collectively with other investors where appropriate.***

While our business model relates to a manager of managers approach, from time to time Russell may engage through the following means:

- Provide support to engagement efforts initiated by other investors. In particular, Russell may consider supporting initiatives led by a manager in one of its funds.
- Actively support greater disclosure from the companies where Russell is a shareholder.

## **PRINCIPLE 6**

***Institutional Investors should have a clear policy on voting and disclosure of voting activity.***

Russell's Proxy Voting Committee establishes and oversees Russell's proxy voting policies, procedures and guidelines. In addition in cases where a voting matter is not specifically addressed in the guidelines or items are to be voted on a case by case basis, the votes are referred to Russell and the Proxy Voting Committee will make the vote determination. The committee is comprised of a minimum of three or more members at any particular time (generally there are 8 members), and each member is an investment professional employed by Russell. The committee reviews the policies, procedures and guidelines at least annually and makes amendments as necessary. The committee also addresses proxies that are not covered by current policies and guidelines and documents the rationale for proxies that are not voted in accordance with policies and guidelines.

Russell's Investment Manager and Security Services department acts as the proxy coordinator responsible for the day-to-day administration of proxy voting. The proxy coordinator also manages all third party communications in connection with proxy voting, including communications with clients, managers, proxy solicitors and issuers and maintains appropriate records.

Russell may hire a third party service provider as proxy administrator to be responsible for performing certain research services and proxy voting services subject to ongoing supervision by the proxy coordinator and oversight by the committee. The proxy administrator will not be an affiliate of Russell. Russell retains final authority and fiduciary responsibility for proxy voting at all times. Russell has appointed ISS to provide corporate governance research and other proxy voting services such as vote execution, recordkeeping and reporting.

The proxy administrator conducts appropriate research with respect to each matter presented for a vote, evaluates each matter under the guidelines and can take action consistent with the guidelines. When proxies present unique issues or topics not specifically set out in the guidelines, the proxy administrator will refer the item to Russell with an explanation and a recommendation. The proxy committee uses this information and may obtain input from managers to make a decision on what action to take.

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## PRINCIPLE 7

***Institutional Investors should report periodically on their stewardship and voting activities.***

We publish information for our European, Middle East and African clients on our voting record on the Fund Information page of our client website, ClientLink. Voting records for clients in other jurisdictions are also available and disclosure practices are based on best practices in those jurisdictions.

### For more information:

Contact your usual Russell representative or call Mike Gould, Director, EMEA Compliance at **020-7024-6124** or visit [www.russell.com](http://www.russell.com)

### Disclosures

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