Ground Rules

June 2025

Russell Australia ESG High Dividend Index

v3.8

The Russell Australia ESG Index is not, and is not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European Benchmark Regulation* and the UK Benchmark Regulation# do not apply to the index series. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use any of the indices within the index series as a benchmark as set out in article 3(1)(7) of the European Benchmark Regulation.

For the avoidance of doubt, neither FTSE International Limited nor any other member of the London Stock Exchange Group plc group of companies is the benchmark administrator (as defined in article 3(1)(6) of the European Benchmark Regulation) of the index series.

**Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds*

#*The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (which amends the European benchmark regulation in the United Kingdom)*

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Contents

Section 1

Introduction

1. Introduction

1.1 Russell Australia ESG High Dividend Index

1.1.1 The Russell Australia ESG High Dividend Index uses a selective methodology to identify and weight Australian companies based on a demonstrated commitment to responsibility in the following categories: ; Environmental, Social and Governance (ESG) and high-quality dividend income.

1.1.2 The Russell Australia ESG High Dividend Index is created using the FTSE Australia 300 Index as the parent index. Companies not listed on the ASX and which fail Responsible Investment Committee[1] criteria are eliminated, then the methodology uses Russell Investments' proprietary material ESG scores to evaluate the remaining companies' relative strengths. FTSE Russell's non-linear probability (NLP) algorithm is used to score and weight stocks based on the ESG criteria. The resulting portfolio is then scored and weighted using Russell's composite income score using the NLP algorithm.[2] The resulting Australia ESG High Dividend index uses the FTSE Australia 300 Index as the parent index and includes approximately 25% to 45% of these companies.

1.1.3 The purpose of the Russell Australia ESG High Dividend Index is to provide an exposure to Australian equities that have demonstrated consistent commitment to environmental and social responsibility and higher governance standards.

1.1.4 The Russell Australia ESG High Dividend Index takes account of ESG factors in its design.

1.2 Available currencies

1.2.1 The base currency of the benchmark is AUD (Australian Dollar). Index values may also be published in other currencies.

1.2.2 Price and total return indices are calculated.

1.3 FTSE Russell

1.3.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiary FTSE Global Debt Capital Markets Inc.,) FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.

1.3.2 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

[1] For further details on the charter and criteria for the Responsible Investment Committee excluded list of companies, please see appendix A.

[2] For further details on the NLP algorithm, see Portfolio Performance Measurement and Benchmarking, Christophersen, Carino, Ferson, 2009, chapter 26.

1.3.3 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on this Construction and Methodology, and/or
- any inaccuracies in this Construction and Methodology, and/or;
- any non-application or misapplication of the policies or procedures described in this Construction and Methodology; and/or
- any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited[3]

2.1.1 FTSE Russell is responsible for the daily calculation, production and operation of the index series, and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the methodology;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the methodology;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the indices.

2.2 Amendments to the methodology

2.2.1 This methodology shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to this methodology will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

[3] FTSE is not the benchmark administrator of the index series as the term administrator is defined in the IOSCO Principles for Financial Benchmarks and Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (the UK Benchmark Regulation).

Section 3
FTSE Russell index policies

3. FTSE Russell index policies

This methodology should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Corporate Actions and Events Guide

3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

Corporate_Actions_and_Events_Guide.pdf

3.2 Index Policy for Trading Halts and Market Closures

3.2.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

3.3 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.3.1 Details of FTSE Russell's treatment can be accessed using the following link:

Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market_or_a_Security.pdf

3.4 Recalculation Policy and Guidelines

3.4.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the Russell Australia ESG Index will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

Recalculation_Policy_and_Guidelines_Equity_Indices.pdf

3.5 Recalculation Policy and Guidelines – ESG Data and Scores

Where an inaccuracy in ESG data is identified, FTSE Russell will follow the guidelines set out in this document when determining if an ESG Data Product should be recalculated.

Recalculation_Policy_and_Guidelines_ESG.pdf

3.6 Policy for Benchmark Methodology Changes

3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

Policy_for_Benchmark_Methodology_Changes.pdf

3.7 FTSE Russell Governance Framework

3.7.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks[4], the European benchmark regulation[5] and the UK benchmark regulation[6]. The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

[4] IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.
[5] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.
[6] The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Index construction

4. Index construction

4.1 Eligible securities

4.1.1 The Russell Australia ESG High Dividend Index is derived from the stocks of the underlying FTSE Australia 300 Index.

4.2 Index construction overview

- Specify the parent index and remove non-ASX-listed securities.
- Eliminate companies failing Responsible Investment Committee criteria.
- Calculate an ESG score for each eligible security.
- Calculate an active weight and a portfolio weight based on the ESG score using the NLP.
- Calculate an income score for securities that have a portfolio weight greater than 0 from the previous step.
- Calculate an active weight and a portfolio weight based on the income score using the NLP.
- Remove securities with weight less than five basis points and reduce number of securities to 100.

4.3 Detailed construction and methodology

4.3.1 Step one: specify the parent index

The first step of constructing the Russell Australia ESG High Dividend Index is to select a parent index, the FTSE Australia 300, and remove securities not listed on the ASX exchange. Every constituent contained within the narrowed parent index is eligible for inclusion. Adjust the index further to a local perspective, removing the foreign ownership limits and adjusting the available float accordingly.

4.3.2 Step two: eliminate companies failing the Responsible Investment Committee criteria

Companies that are considered by the Responsible Investment (RI) Committee (established by Russell Investment Management Ltd) to be inconsistent with certain ESG objectives are ineligible for the index. The committee's charter and guidelines are fully described in appendix A.

Generally, the committee eliminates companies involved with activities deemed inconsistent with the RI objectives of the Russell Australia ESG High Dividend Index, including the manufacture and distribution of alcohol, tobacco, gambling, pornography and armaments. Companies which have a material exposure to the production or combustion of the most carbon-intensive fossil fuels may also be excluded. Materiality will be determined by proportion of total revenue or other appropriate financial metrics.

The RI Committee will also consider for exclusion those companies that materially lag industry peers in their responsible approach to environmental, social or governance (ESG) risk or have a poor record of managing these risks. These areas of risks include, but are not limited to, involvement in activities such as causing environmental damage, violation of human rights and businesses with questionable related-party transactions. These areas are further described below and within the Responsible Investment Committee Guidelines in appendix A (the RI Guidelines). The RI Committee will rely on external research to indicate which companies are candidates for exclusion on the basis of these risks.

As a general statement, where the RI Committee is aware that a company has involvement in the level of activities and exposures set out below, that company will be excluded. However, in the event that a company has demonstrated genuine willingness to reduce or address its involvement in undesirable activities and the RI Committee determines that exclusion or divestment is not in the best interests of shareholders according to the RI Committee Charter, such a company may be removed or omitted from the exclusions list (as defined in appendix A). The RI Committee must fully document the research and justification for each decision.

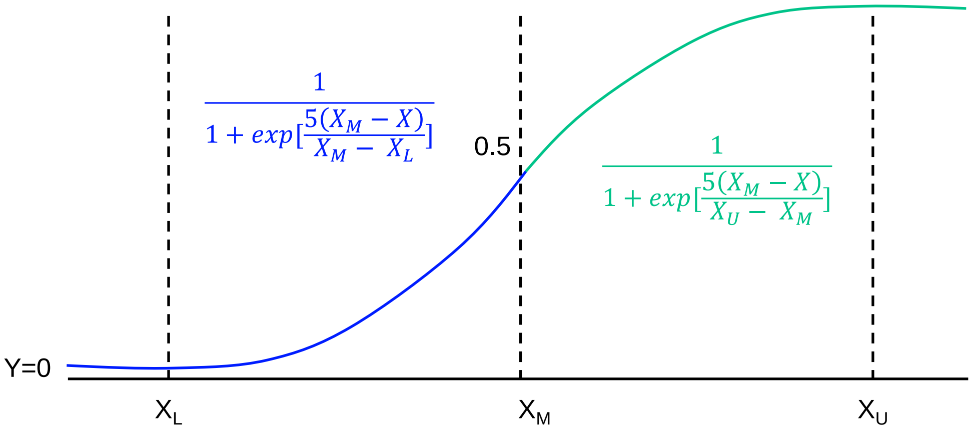
Additionally, companies that have activities across multiple areas of concern as set out in the RI Guidelines may be excluded where aggregate revenue from these activities is greater than 15% of total company revenue.

4.3.3 Step three: generate an ESG score for each stock in the adjusted parent index

The next step in building the index utilises ESG scores as inputs to determining index weights. The ESG scores used in the index construction are material ESG scores provided by Russell Investments. Companies are scored on how well they perform against ESG metrics that are financially material to their businesses. The actual ESG inputs used to score companies vary depending on the sector they reside in using the materiality map framework of SASB (Sustainability Accounting Standard Board).

Eligible companies with non-null ESG and not in the exclusion list are ranked from highest to lowest in terms of their material ESG score and the raw values are standardised from 0 to 1 using the FTSE Russell non-linear probability algorithm (described below) using the ESG score only. The final composite ESG score is then rescaled to -1 to 1.

FTSE Russell non-linear probability algorithm



Where:

XM = the 50th percentile value

XU = the 90th percentile value

XL = the 10th percentile value

X = the value of the variable for security i

The scores are then ranked by the value of the composite ESG score. The stock with the smallest value has a rank of 1, while the stock with the largest value has a rank equal to the number of stocks within the respective universe.

A percentile value for each stock is calculated by dividing its rank by the largest rank and the breakpoints are calculated using the pre-defined percentiles listed above. Each breakpoint is the score of the security whose percentile value is the maximum value strictly less than the specified breakpoint percentile.

4.3.4 Step four: calculate an active weight and a portfolio weight using the ESG factor score

Using the ESG score calculated in step three, we calculate an active weight using the weight adjustment factor as a scalar to determine the magnitude of the active weight. (Please see FTSE Russell non-linear weighting algorithm below.) Securities that have an ESG score greater than the pre-determined breakpoint of 50th percentile are overweighted and securities that have an ESG score lower than the breakpoint are underweighted relative to the respective benchmark. The magnitude of the underweight and overweight is determined by the weight adjustment factor using the non-linear weighting method. Given that these portfolios are subject to a long-only constraint, securities that are overweighted are rescaled such that the sum of the overweighted securities is equal to the sum of the underweighted securities.

FTSE Russell non-linear weighting algorithm

Step 4a: calculate a long/short active weight

$$LSAW_i = \begin{cases} wgtadjFactor^* \begin{cases} \left(2\left[\frac{1}{1+\exp\left(\frac{5(X_B - Xi)}{X_B - X_{LB}}\right)}\right]\right) -1, & X_{LB} < Xi \leq X_B \\ \left(2\left[\frac{1}{1+\exp\left(\frac{5(X_B - Xi)}{X_{UB} - X_B}\right)}\right]\right) -1, & Xi > X_B \\ -1, & X_i \leq X_{LB} \end{cases} \\ -BmrkWeight, & X_i \text{ is not available} \end{cases}$$

Where:

$LSAW_i$ = the long/short active weight of security i

wgtadjFactor = the defined weight adjustment factor (set at 25bps)

X_B = the value at the defined mid breakpoint percentile

X_{LB} = the value at the defined lower breakpoint percentile

X_{UB} = the value at the defined upper percentile breakpoint

X_i = the factor score of security i

$BmrkWgt_i$ is the benchmark weight of security i

Step 4b: calculate a long-only active weight

$$LOAW_i = \begin{cases} -BmrkWgt_i, & BmrkWgt_i + LSAW_i \leq 0 \\ LSAW_i, & BmrkWgt_i + LSAW_i > 0 \end{cases}$$

Where:

$LOAW_i$ = the long-only active weight of security i

$BmrkWgt_i$ is the benchmark weight of security i

$LSAW_i$ is the long/short active weight of security i

Step 4c: rescale the overweights such that the sum of the security overweights equals the sum of the security underweights; then calculate a portfolio weight

$$LOAW_i = \left(\frac{abs(\sum_{LOAW \le 0} \llbracket LOAW_i) \rrbracket}{\sum_{LOAW > 0} LOAW_i} \right) * LOAW_i \text{, where } LSAW_i > 0$$

$$PortWeight_i = BmrkWgt_i + LOAW_i$$

Where:

$LOAW_i$ is the long-only active weight of security i

$LSAW_i$ is the long/short active weight of security i

$PortWeight_i$ is the weight of security i in the portfolio

$BmrkWgt_i$ is the benchmark weight of security i

Step five: generate a composite yield score for each stock in the adjusted parent index

For each security that has a portfolio weight greater than 0 in step four, FTSE Russell calculates a composite income score as per the Russell Australia High Dividend index methodology, a relative weighting methodology utilising multiple factors targeting not only companies that pay high dividends but also companies that pay high-quality dividends as measured by the composite yield score (CYS). The CYS model weighs the following five factors:

1. Three-year average forecast dividend
2. Five-year average trailing dividend
3. Three-year forecast dividend growth
4. Three-year trailing dividend growth
5. Five-year standard deviation of annual earnings per share

These factors were selected as proxies for selecting stocks with high forecasted dividends, consistent dividends and a positive dividend growth trajectory.

4.3.5 Step six: calculate an active weight and a portfolio weight using the composite yield score

In a process similar to step three, the portfolio weights from step four are used to calculate an active weight based on the composite yield scores from step five utilising the FTSE Russell Non-Linear Probability Algorithm, then calculating the active portfolio weights using the FTSE Russell Non-Linear Weighting Algorithm. Securities that have a score greater than the breakpoint are overweighted and securities that have a score lower than the breakpoint are underweighted relative to the respective benchmark. The magnitude of the underweight and overweight is determined by the weight adjustment factor using the non-linear weighting method. Given that these portfolios are subject to a long-only constraint, securities that are over-weighted are rescaled such that the sum of the overweighted securities is equal to the sum of the under-weighted securities.

4.3.6 Step seven: trimming and number of securities limit

The index also has a minimum security weight constraint. If the portfolio weight is less than five basis points, the weight of that security is set to 0. After the trimming, only the top stocks by weight (up to 100) are included in the final membership. The weights of the remaining stocks are then rescaled to sum to one.

Section 5

Semi-annual reconstitution

5. Semi-annual reconstitution

5.1.1 The index is reconstituted semi-annually using data as of the last business day in February and August. The rebalanced index is implemented on the first business day in April and October. These rebalance periods have been chosen to also coincide with the Australian company reporting season so that the reconstitution incorporates the latest analyst estimates.

5.1.2 The excluded stock list is reviewed semi-annually prior to rebalance dates in February and August.

Appendix A

Charter of the responsible investment committee

Charter, guidelines and excluded companies by the Responsible Investment Committee (established by Russell Investments Ltd)

Establishment and business scope of the Responsible Investment Committee

The Responsible Investment Committee has been established by Russell Investment Management Ltd, the Responsible Entity of the Russell Investments Australian Responsible Investment ETF.

The business scope of the Responsible Investment Committee pertains to the benchmark index for the Russell Investments Australian Responsible Investment ETF, namely the Russell Australia ESG High Dividend Index. The Responsible Investment Committee will provide advice to FTSE Russell in relation to this index in the form of a list of securities listed on the ASX. These securities will be ineligible for inclusion in the benchmark index based on the Responsible Investment Committee's expert assessment of whether a company has a significant involvement in activities deemed inconsistent with widely recognised responsible investment considerations represented in Australia.

Definitions

ESG: environmental, social and governance.

ESGDIV Index: the Russell Australia ESG High Dividend Index (benchmark index).

Exclusions list: the exclusions list is a list of securities that are ineligible for inclusion in the benchmark index.

Index objective: broadly stated, the objective of the ESGDIV Index is to define a broadly-based index of Australian shares that incorporates a positive screen and also a negative screen based on the exclusions list and which reflects widely recognised responsible investment considerations in the Australian investment market.

Recalculation date: recalculation dates will be 28 February and 31 August in any year.

Reconstitution date: reconstitution dates will be 1 April and 1 October in any year.

Responsible Investment (RI) Guidelines: The RI Guidelines state the objectives, policies and responsible investment principles by which the ESGDIV Index will be constructed. The guidelines will be determined by the RIML Board under advice from the Responsible Investment (RI) Committee.

RIML: refers to Russell Investment Management Ltd, the Responsible Entity of the Russell Australian Responsible Investment ETF.

RIML Board: refers to the Board of Directors of Russell Investment Management Ltd.

RI Committee: Responsible Investment Committee, established by the RIML Board of Directors.

Russell RI ETF: The Russell Investments Australian Responsible Investment ETF.

Purpose of the RI Committee

The purpose of the RI Committee is to:

- enable the ESGDIV Index to leverage the expertise of organisations focused on RI policies and investments, enable informed decision-making on more subjective policy issues and enable the RI Guidelines and policies considered to remain relevant to the concerns of investors in the local market;
- provide expert assessment of whether a company has a significant involvement in activities deemed inconsistent with widely recognised responsible investment criteria in Australia as set out in the RI Guidelines;
- review and determine the exclusions list in accordance with the RI Guidelines and the index objective;
- review any research that may bear upon the exclusions list or the RI Guidelines; and
- review, assess and advise the RIML Board on any need to amend the RI Guidelines to ensure the guidelines remain relevant and broadly representative of RI practices in the Australian market.

Membership and appointment of RI Committee members

- The RI Committee will consist of up to five members, typically representatives from RI-focused institutions and industry bodies who are strong advocates of responsible investing and have suitable experience, expertise and background in RI.
- There must be at least three RI Committee members at all times.
- The RIML Board is responsible for appointing members to the RI Committee. The RIML Board may delegate this responsibility to a suitably authorised representative.
- RIML will at all times provide at least one person as its representative on the RI Committee.
- RI Committee members may be nominated by RIML, existing RI Committee members or their respective organisations.
- Any person appointed to the RI Committee must consent in writing to his/her appointment and agree to serve in accordance with the purpose section of the Charter of the RI Committee before or at the time of appointment.
- Each member may appoint an alternate with the approval of the Chairman subject to the alternate consenting in writing to their appointment and agreeing to serve in accordance with the purpose section of the Charter of the RI Committee.
- The RIML Board may terminate a RI Committee member at its sole discretion with effect from whatever date the RIML Board determines.
- The RI Committee members are appointed for a period of three years and may retire at any point during this period of time. Members may serve for longer periods provided the RIML Board determines to appoint them for a further three-year term (or part thereof) and subsequent three-year terms thereafter.

Proceedings

The RI Committee must keep minutes of its meetings and records of its reports and recommendations, and will appoint a secretary to do so.

All decisions to amend the exclusions list must have full documentation supporting the decision and provide a clear rationale for making the change.

A meeting may be held using any technology agreed to by all the members.

- A meeting agenda and all relevant documents will be sent to members within a reasonable time before each meeting.

- Member's votes or decisions can be transmitted by the member by fax or e-mail to the Chairman or secretary of the RI Committee, who will record the votes or decisions in order to give effect to them.
- The RI Committee will conduct no less than two ordinary meetings a year, each meeting to be held prior to the next due reconstitution date of the ESGDIV Index. To remove any doubt, recalculation dates will be the same as those for the RDV ETF, i.e. 28 February and 31 August in any year. New ESGDIV Index weights will take effect on 1 April and 1 October in any year.
- Extraordinary meetings can be held if requested by the RI Committee, Chairman, any member or the RIML Board.

Chair

- The RIML Board will appoint a Chairman for the RI Committee and may terminate that appointment at any time.
- If the RIML Board appointed Chairman of the RI Committee is not present at a meeting, the RI Committee members present may elect a chair for the meeting in question.

Quorum

- The quorum for a meeting of the RI Committee is two members, one of whom must be a RIML representative.
- If a quorum is not present within 15 minutes after the time set for the meeting, the meeting is adjourned to a time decided by the members present.

Voting on issues

- Voting to amend the exclusions list must be unanimous by all members participating in a meeting.
- Voting on making a recommendation to the RIML Board to amend the RI Guidelines is by simple majority.
- If a clear voting result cannot be achieved, the chair may ask for further research or information and refer the vote to the next meeting. The chair may elect to schedule a meeting at any time to resolve any voting deadlock if possible.
- No objection may be made to any vote cast unless the objection is made at the meeting.

Responsibilities of the RI Committee

1. Review the exclusions list and make determinations about additions and removals from the list and the dates such changes to the list are to take effect. To be clear, the effective dates of addition and removal from the exclusions list will only affect the ESGDIV Index constituents at the next recalculation date.
2. Report the most recent exclusion list membership to FTSE Russell, RIML and whatever third parties as required by FTSE Russell or RIML at a suitable interval prior to the next recalculation date.
3. Seek and review relevant research that informs the RI Committee and furthers its ability to review the RI Guidelines and determine the exclusions list.
4. Review the RI Guidelines and make recommendations to the RIML Board (or to the Board's delegated authorised representative for such matters) regarding any desirable changes to them. No changes can take effect prior to approval of the RIML Board or the Board's delegated authorised representative for such matters.
5. Submit a report semi-annually to the RIML Board confirming compliance with the RI Guidelines. In writing the report, the RI Committee will consider whether it has followed the processes set out in the latest version of the RI Guidelines and will make best endeavours to support its adherence to the RI Guidelines with appropriate independent reports wherever possible.

6. Advise the RIML, Product and Compliance teams of any actual or potential breach of the RI Guidelines, the exclusions list or the Charter for their consideration.
7. Act consistently with expectations of a signatory to UNPRI, provided this is not in conflict with the responsibilities of the RIML Board.

Disclosure of interests

A RI Committee member must immediately disclose at the meeting or the next meeting of the RI Committee after they become aware of:

– a direct or indirect pecuniary interest that they have in a matter considered or about to be considered by the meeting if it could give rise to a conflict of interest with the proper performance of their duties in relation to the consideration of the matter; and

– such other things (if any) as the corporations law requires.

The member must not attend considerations of the matter unless approved to do so by other RI Committee members and must abstain from voting on that matter.

Such disclosures and actions must be recorded in the RI Committee's minutes.

Duties of members

The RI Committee members must:

– act honestly;

– exercise the degree of care and diligence that a reasonable person would exercise if they were a member of the RI Committee;

– not make use of, or knowingly allow any other person to make use of, any information acquired through being a RI Committee member to gain an improper advantage for the member or another person or to cause detriment to the Russell RI ETF investors or RIML; and

– not make improper use of their position as a RI Committee member to gain an advantage for the member or for any other person or cause detriment to the Russell RI ETF investors or RIML.

Access to information and resources

Any RI Committee member may contribute research or any information considered relevant to the considerations of the RI Committee in fulfilling its role. Such information may be sourced from the member's own organisation, brokers, third-party providers or any other sources the member considers may be able to inform the RI Committee. The RI Committee is expected to consider any such research or information but is not required to act upon it.

Use of external advisers

– The RI Committee may obtain independent advice from external advisers. However, it is recognised that cost is an issue and that external advice should only be sought where this is reasonably necessary for the RI Committee to carry out its role.

– The RI Committee may obtain a report provided by the relevant independent service provider to ensure the ESGDIV Index complies with the latest version of the RI Guidelines.

– The engagement of external advisers will not be sought by the RI Committee members without prior consultation with, and approval of, the RIML Board.

Changes to Charter

- Any change(s) to the Charter requires the prior approval of the RIML Board or its delegated authorised representative (which will be subsequently ratified by the RIML Board).

Responsible investment guidelines

Purpose

The RI Guidelines have been established by Russell Investment Management Ltd (RIML) and contain the policies and responsible investment (RI) principles by which an exclusions list will be determined. The exclusions list is a list of securities that are ineligible for inclusion in the Russell Australia ESG High Dividend Index (ESGDIV Index). The ESGDIV Index will be the benchmark index for the Russell Australian Responsible Investment Index ETF.

The RI Committee is expected to provide expert assessment of company involvement in the activities set out in these RI Guidelines and to report the resulting exclusions list to Russell Indices as required under the terms of the RI Charter.

The RI Guidelines should be read in conjunction with the RI Committee Charter.

Objective

Broadly stated, the objective of the ESGDIV Index is to define a broadly-based index of Australian shares that incorporates a positive ESG screen and also a negative screen based on an exclusions list that reflects commonly recognised RI considerations in Australia. These guidelines state the commonly recognised RI considerations that the RI Committee will use to assess the materiality of any company's involvement and whether such involvement warrants the company being added to, or removed from, the exclusions list.

Process

The RI Committee is responsible for all decisions to include or remove a company on the exclusions list.

The RI Committee must use its best endeavours, based on the skills, knowledge, information and specific research available to it at the time, to determine the exclusions list based on these RI Guidelines.

The exclusions list represents the combined expert judgment of the RI Committee and provides instruction to Russell Indices on which securities are ineligible for inclusion in the ESGDIV Index.

No decision can be made without the RI Committee seeking adequate verification of the information used to support a change to the exclusions list. Where specific revenue exposure or financial metric limits are stated in this document, the RI Committee will review any relevant supporting report or information provided to it.

Independent service providers may be used to indicate companies in the eligible universe (being those companies included in the FTSE Australia 300 Index from time to time) that are assessed as breaching the exposure limits set down in this document, or which have significant exposure to the activities described herein. In addition, the RI Committee may ask for any other data, research or report that may assist the RI Committee in its assessment of a company according to the RI Guidelines.

Where companies have involvement in the activities as set forth in these guidelines, in particular in the RI Key Risk Exposures below, the RI Committee will maintain documentation, as required by the Charter, providing sufficient detail supporting the rationale for the decision when amending the exclusions list.

Exclusion policies and RI Principles

The activities deemed inconsistent with the RI objectives of the ESGDIV Index include the manufacture and distribution of alcohol, tobacco, gambling, pornography and armaments. Companies that have a material exposure to the production or combustion of the most carbon-intensive fossil fuels will be excluded. Materiality will be determined by proportion of total revenue or other appropriate financial metrics.

The RI Committee will also consider for exclusion those companies that materially lag industry peers in their responsible approach to environmental, social or governance (ESG) risk or have a poor record of managing these risks. These areas of risks include, but are not limited to, involvement in activities such as causing environmental damage, violation of human rights and businesses with questionable related-party transactions. These areas are further described below. The RI Committee will rely on external research to indicate which companies are candidates for exclusion on the basis of these risks.

As a general statement, where the RI Committee is aware that a company has involvement in the level of activities and exposures set out below, that company will be excluded. However, in the event that a company has demonstrated genuine willingness to reduce or address its involvement in undesirable activities or the RI Committee determines that exclusion or divestment is not in the best interests of investors such a company may be removed or omitted from the exclusions list. The RI Committee must fully document the research and justification for the decision.

Companies that have activities across multiple areas of concern as set out in these RI Guidelines may be excluded where aggregate revenue from these activities is greater than 15% of total company revenue.

RI guidelines – key RI risk exposures

Companies with significant exposure to activities that have a high negative social impact		
Industry/activity	**Exposure limits (percentage of total revenue)**	**Rationale and explanatory notes**
Tobacco products	0% manufacture 10% distribution	Includes e-cigarettes and other tobacco products. [7] Distribution includes packaging, transporting and sale
Alcohol	10% manufacture 10% distribution	Distribution includes packaging, transporting and sale
Gambling	0% manufacture 10% distribution	Distribution includes deployment and operation of gaming outlets and equipment
Pornography	0% manufacture 5% distribution	Distribution includes internet distribution or advertising revenue from pornography
Controversial weapons	0% manufacture	Companies involved in cluster bombs, landmines, depleted uranium weapons and chemical and biological weapons
Non-controversial weapons	0% manufacture	

Fossil fuels	**The combustion of fossil fuels is considered to be a major source of global greenhouse gas emissions and exposure to companies that have a material exposure to the most carbon-intensive fossil fuels will be excluded.**	
Activity	**Financial metrics**	**Rationale and explanatory notes**
Fossil fuels	0%	Companies that have fossil fuel reserves.
	Exposure Limit: 2% of revenue[7]	Companies which are involved in thermal coal extraction.
	Exposure Limit: 2% of revenue[7]	Companies which are involved in thermal coal power generation.
	Exposure limit: 10% of revenue	Companies involved in oil and gas exploration, power generation, production, refining, transportation and/or storage.

[7] Effective 1 October 2023

High ESG risk	The considerations below are not exhaustive but illustrate the activities and behaviours that reflect commonly recognised RI considerations in Australia and may be deemed inconsistent with the RI objectives of the ESGDIV Index. High ESG risk is not limited to the examples cited here and there any other factors and ESG risks that require the RI Committee to exercise discretion and professional judgement in its decision-making and to ensure sound advice to Russell Indices.
Environmental considerations	Repeated environmental damage Failure to adequately remediate environmental damage Lack of adequate environmental safeguards Poor product stewardship such as considering the environmental impact of a product through its lifecycle, recycling Inefficient energy and resource use Water efficiency and water contamination risk Uranium mining
Social considerations	Exploitative credit practices such as pay-day lending Failure to uphold fundamental human rights Exploitative labour practices such as employing child labour Poor work safety practices
Governance considerations	The majority of issues relating to governance are captured by Russell's proxy voting policy and practice; however, commonly recognised RI considerations may still highlight additional ESG risks that the RI Committee may address such as; – involvement in questionable related party transactions; – inappropriate remuneration structures; and – failure to meet corporate governance guidelines on board structures.

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