

Russell Investments – Australian Responsible Investment ETF (RARI)

Ethical Survey, as voted by members of the Ethical Advisers Co-Op 11/2024



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: www.ethicaladviserscoop.org/find-an-adviser.html

Fund Overview

The Russell Investments Australian Responsible Investment ETF provides investors with a simple, cost-effective and transparent means of accessing an enhanced ESG portfolio of Australian shares combining engagement and positive/negative screens.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Big Four Banks (ANZ, CBA, NAB, Westpac), in addition to other large banking and financial institutions such as Macquarie and AMP which combined make up a large part of the portfolio (also holds Bendigo & Adelaide Bank)
 - Exposure to companies involved / related in mineral mining & fossil fuels such as Mineral Resources, Pilbara Minerals, Iluka Resources, Oz Minerals, Blue Scope Steel, Rio Tinto, Fortescue & Deterra Royalties
 - Coles and Woolworths have some domestic exposure to gambling, tobacco and or alcohol sales; or
 - Wesfarmers, Transurban & Inghams have fossil fuel exposure/ intensive industries/ farming practices
 - Fund also holds Insurance Australia Group, CSL, Ansell and Nine Entertainment which may be of concern

Other concerns

- ✘ Investment screens exposure limits may allow for investment in companies which may cause concern. Particularly, the 10% revenue limit for oil & gas exploration, production, refining, storage, and transportation may be of particular concern
- ✘ Invests in companies named by Market Forces as undermining efforts to meet the Paris Agreement on Climate Change (e.g. Mineral Resources Ltd).
- ✘ Russell Investments do not specialise in ethical investments.

Good Points

- ✓ Provides a brief outline of the ethical screening / investment process – [LINK](#).
- ✓ Strong commitment to transparency through membership / signatory for range of ethical investment bodies;
 - Japan Stewardship code & UK Stewardship code
 - Climate Action 100+
 - IIGCC
 - CDP
 - UNPRI & RIAA
 - TCFD
- ✓ Strong exclusions in a broad range of areas including companies with high ESG risk.
- ✓ Strong commitment to corporate governance and transparency of the companies it invests in.
- ✓ Good transparency of [holdings](#) (updated daily) and [voting history](#), both easily accessed via the public website, see links overleaf.
- ✓ Voting record on ESG related matters has largely improved in recent years and strong transparency in their reporting regarding their engagement with companies as published in their [Active Ownership Report](#).
- ✓ Stable investment team

*This survey, and the information contained in this document, consider **ethics only** and do not include ANY analysis of fees, performance of financial suitability. It is **general advice only**. The ethical score is subjective and benchmarked to each adviser's average ethical client. Your ethics may differ. We recommend you speak to an experienced ethical financial adviser for personalised advice before making any decisions.*



Fund Overview

UNPRI Signatory	Yes - https://www.unpri.org/signatory-directory/russell-investments/1728.article
Full Holdings Disclosure	Yes - https://russellinvestments.com/static/au/etfs/RARI_Holdings.csv
RIAA Certification	Yes - https://www.responsiblereturns.com.au/investment-options/russell-investments-australian-responsible-investment-etf/profile
Other Ethical Bodies	<p>Japan Stewardship Code UK Stewardship Code Climate Action 100+ IIGCC CDP UNPRI TCFD RIAA</p>
Disclosure of Voting	Yes - https://viewpoint.glasslewis.com/wd/?siteId=Russell%20Australia
Ethical Screening Process	<p>Website: https://russellinvestments.com/au</p> <p>Responsible Investment Policy: https://russellinvestments.com/au/about-us/responsible-investing</p> <p>PDS: https://russellinvestments.com/-/media/files/au/resources/pds/australian-responsible-investment-etf-rari.pdf</p>
Exclusions	<ul style="list-style-type: none"> • Tobacco • Alcohol • Gambling • Pornography • Controversial Weapons • Non Controversial Weapons • Fossil Fuels – Reserves, and those involved in extraction or burning of fossil fuels • Oil/Gas – Exploration, production, refining, transportation and/or storage • Uranium mining • High ESG Risk – this includes items such as: <ul style="list-style-type: none"> ○ Environmental: <ul style="list-style-type: none"> ▪ 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 ○ Social: <ul style="list-style-type: none"> ▪ 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: 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; <ul style="list-style-type: none"> ▪ Involvement in questionable related party transactions ▪ Inappropriate remuneration structures ▪ Failure to meet corporate governance guidelines on board structures

	<p>Exclusions policy link: https://research.ftserussell.com/products/downloads/Russell_Australia_ESG_Index_Construction_and_Methodology.pdf</p> <p>Materiality link: https://research.ftserussell.com/products/downloads/Russell_Australia_ESG_Index_Construction_and_Methodology.pdf</p>
<p>Materiality/Exposure Limits</p>	<ul style="list-style-type: none"> • Tobacco <ul style="list-style-type: none"> ○ Distribution – 10% of total revenue ○ Distribution includes packaging, transporting and sale • Alcohol <ul style="list-style-type: none"> ○ Manufacturing – 10% of total revenue ○ Distribution – 10% of total revenue ○ Distribution includes packaging, transporting and sale • Gambling <ul style="list-style-type: none"> ○ Distribution – 10% of total revenue ○ Distribution includes deployment and operation of gaming outlets and equipment • Pornography <ul style="list-style-type: none"> ○ Distribution – 5% of total revenue ○ Distribution includes internet distribution or advertising revenue from pornography • Controversial & Non-Controversial Weapons <ul style="list-style-type: none"> ○ Manufacturing – 0% ○ Includes companies involved in cluster bombs, landmines, depleted uranium weapons, and chemical and biological weapons • Fossil Fuels <ul style="list-style-type: none"> ○ Companies with reserves or involved in extraction or burning – 0% ○ Companies involved in oil/gas exploration, production, refining, transportation and or storage – 10% of total revenue

About the 'Ethical Survey'

About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

Further Research

Does your fund walk the talk?

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

Is your fund investing in fossil fuels?

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

If the fund is certified by the Responsible Investment Association Australasia (RIAA)

You can find more ethical and investment information for certified funds [here](#).

More information on this fund

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

Vote based on information last updated 5 February 2025