

## Environmental, Social and Governance Policy

### Background

For more than 60 years, American Century Investments® has focused on delivering superior risk-adjusted performance through active management and serving the best interests of clients worldwide. The firm manages a broad range of global investment solutions. All investment disciplines follow distinct philosophies and processes designed for the markets in which they invest.

The ownership structure of American Century Investments is unique in the asset management industry. By investing with us, you also invest in the future of others and potentially impact the lives of millions. That's possible because of the distinct relationship with our primary owner, the Stowers Institute for Medical Research. Our dividend payments support the Institute's work of uncovering the causes, treatments and prevention of life-threatening diseases, like cancer, Alzheimer's and diabetes. Since 2000, those payments have totaled \$1.6 billion.

With responsible investing firmly rooted in our culture, American Century's views on environmental, social and governance (ESG) factors is integral to our corporate citizenship and business model. Accordingly, American Century is a signatory of the Principles for Responsible Investment (PRI) and supports its mission to promote the incorporation of ESG issues into investment processes, ownership policies and practices.

### American Century's ESG Guiding Principles

- Our primary mission is to deliver superior, long-term, risk-adjusted returns for clients.
- We focus on material ESG issues, which can affect the performance of individual securities.
- We seek to integrate the analysis of potential risks and opportunities associated with ESG issues within our fundamental research process, and we strive to mitigate related downside risks or capture upside potential without compromising our fiduciary duty to act in the best interest of clients.
- In addition to conducting business with the highest ethical standards and complying with all applicable laws and regulations, our ESG approach is regularly reviewed against industry investment stewardship and governance standards and other ESG methodologies to ensure alignment with our processes.

### ESG Oversight and Management

American Century's ESG program is investment led. Oversight and accountability for ESG investing activities fall under the responsibility of the Office of the Chief Investment Officer (CIO). The CIO is responsible for ensuring investment teams implement sustainable investing within their investment processes. The Investment Leadership Team (ILT), composed of senior leaders across the investment organization, serves as the governing body for ESG-investment initiatives, including integration approaches, process enhancements, product development and engagement activities.

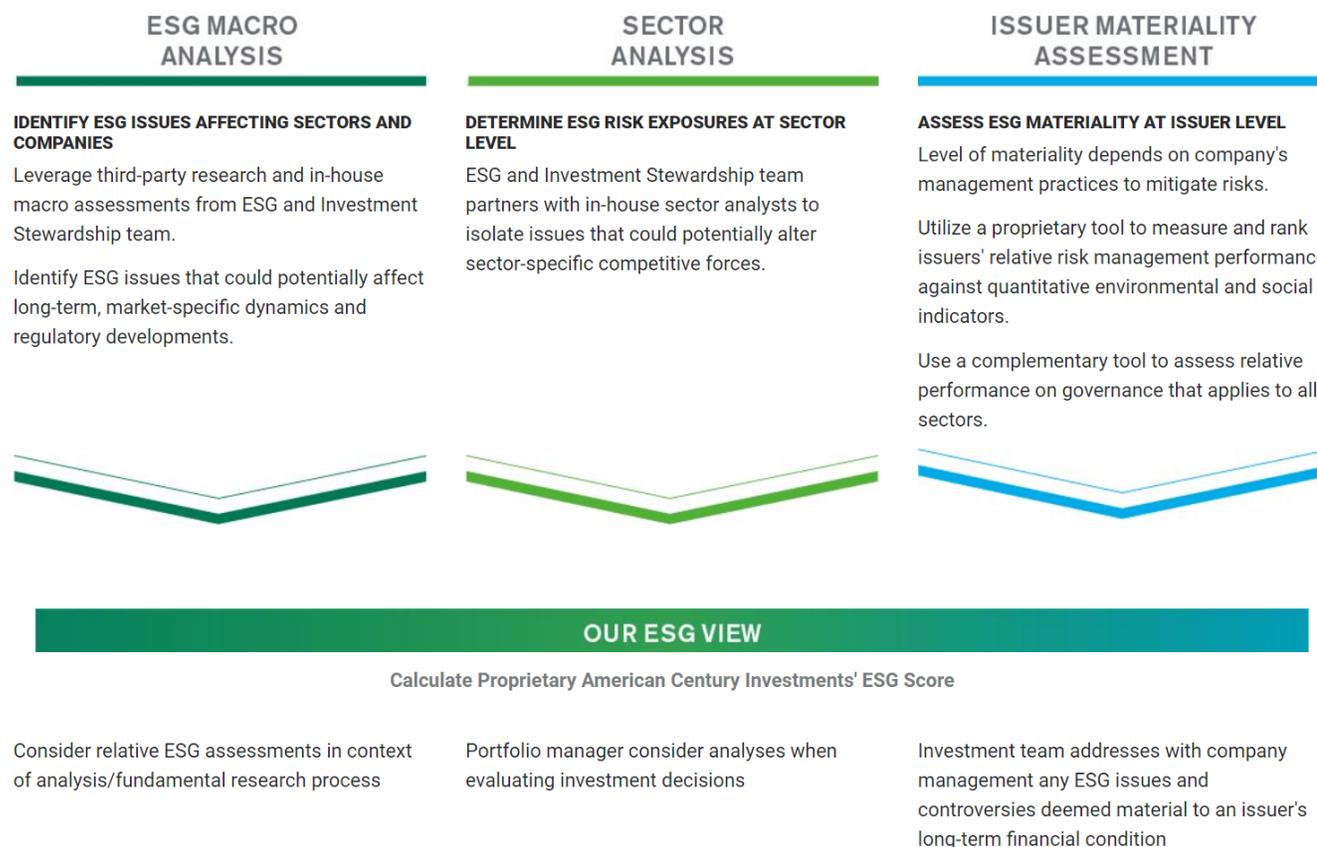
The development and execution of our ESG policy and management of our ESG investing platform falls under the purview of the Head of ESG and Investment Stewardship, who reports directly to the CIO. Dedicated ESG analysts report to the Head of ESG and facilitate the integration of financially material ESG factors into investment processes. The ESG and Investment Stewardship team's research augments the fundamentally driven research created by the firm's investment teams. Additionally, the ESG Proxy team, comprised of senior legal professionals, the Head of ESG and Investment Stewardship and members of the ESG team, assesses the financial materiality of ESG issues underpinning proposals and makes appropriate voting recommendations to portfolio managers.

## ESG Investment Approach

At American Century, we believe good active management naturally incorporates ESG issues. We view ESG issues as important inputs into fundamental analysis that can help mitigate downside risk or increase upside potential associated with ESG factors otherwise not captured by traditional financial analysis.

Our ESG integration process is guided by a three-layer analytical framework (Figure 1) that is aligned with our fundamental analysis process and fiduciary duty. The framework is applied to equity and fixed income strategies and seeks to 1) identify macro-level ESG issues impacting market dynamics, 2) determine which of these issues are relevant at the sector level, and 3) evaluate ESG materiality at the issuer level.

**Figure 1: American Century ESG Integration Framework**



Source: American Century Investments.

To assess whether sector ESG issues could result in risks or opportunities to a security's valuation or cause a downgrade of its fundamental profile, we utilize a combination of third-party data and proprietary ESG assessment tools. We believe it is crucial to maintain the independence of our fundamental analysts and the integrity of the investment process. That is why the ESG views generated by our ESG scoring system are considered in the context of our analysts' fundamental research process, with a focus on investment performance implications. Our analysts work closely with the ESG and Investment Stewardship team (ESG team) in an effort to ensure that any ESG risk identified by the ESG integration process is not financially material to the investment thesis.

Our proprietary ESG scoring system is based on various quantitative and qualitative ESG indicators that are sector specific and derived from reported and third-party data.

- **Governance** issues include:
  - Business (mis)conduct
  - Board composition, independence and entrenchment
  - Accounting practices
  - Ownership structure
  - Executive pay-for-sustainability performance alignment
- **Environmental and Social** issues include but not limited to:
  - Climate change
  - Water stress
  - Product safety and quality (supply chain and manufacturing)
  - Cybersecurity and data privacy
  - Human capital management (including innovation)

We believe there are multiple approaches to integrating ESG factors within a common ESG investment framework. We also believe that effective ESG integration must be aligned with the particulars of a given investment philosophy. Therefore, American Century's ESG team has created three, non-mutually exclusive ESG integration approaches (Figure 2). Each investment team determines the integration approach or combination of approaches best suited to incorporate material ESG factors into their investment processes. This flexible strategy allows investment teams to tailor the ESG integration process according to their asset class, style, time horizon, opportunity set and client objectives.

#### **Figure 2: American Century's ESG Integration Approaches**

- **Integration Approach 1:** ESG analysis is driven by the investment teams, and the implementation focuses on downside risk management with an emphasis on governance quality, event-risks and regulatory compliance. The approach leverages quantitative data from ESG ratings providers to measure portfolio exposure to ESG issues and assess issuer relative performance across individual E, S, and G pillars. The ESG team provides consultation.
- **Integration Approach 2:** ESG analysis is driven by the investment teams; and the ESG analysis focuses on both downside risk and upside potential. The application incorporates the evaluation of potentially material ESG issues using our proprietary ESG scorecard and does not rely on third-party ESG information. In addition to consultation, the ESG team provides oversight of the ESG assessments generated by the scorecard.
- **Integration Approach 3:** ESG analysis is driven by the ESG team. Utilizing our ESG scoring system, the ESG team performs in-depth analysis that is shared with investment teams. Implementation focuses on downside risk and upside potential but isolates securities deemed "issue-oriented" based on various inputs including ESG-specific controversies, negative externality-prone sector involvement, or best practice ethical exclusion lists.

### **Active Ownership and Engagement Activities**

#### **Engagement**

Engaging with company management is an important part of the research process and includes in-person meetings, written communications and industry forums. Engagement is focused on material ESG-related issues that we believe could potentially impact the value of the company.

Primary objectives for engaging are to:

- Gain a more thorough understanding of a company's approach to ESG risk management, including controversies and associated remedial action, and
- Encourage a company's increased transparency around material ESG issues

Engagement contributes to an investment team's ESG risk views, resulting in more informed investment decisions and allows for a dialogue with management on best ESG practices. Our engagement process is managed by the ESG team in partnership with investment teams. For engagement outcomes, our practice includes an escalation mechanism whereby portfolio managers are advised to react by means of a decreased weight or divestment of a given security.

## **Proxy Voting**

Our ESG integration process extends to our proxy voting practices. As per American Century Investments' proxy voting policy, our ESG Proxy team reviews, on a weekly basis, each proposal affecting our positions across the entire equity complex. With various inputs, including the Institutional Shareholder Services Socially Responsible Investment (ISS SRI) proxy recommendations, the ESG Proxy team assesses the financial materiality of ESG issues underpinning the proposals and makes appropriate voting recommendations to portfolio managers. The investment teams review and approve the recommendations. The ESG Proxy team is comprised of senior legal professionals, the Head of ESG and Investment Stewardship and members of the ESG team.

Details on our proxy voting policies, including how conflicts of interest are addressed, are available [here](#).

## **Client Focused, Solutions Driven**

While American Century Investments emphasizes ESG integration as we believe it leads to better diversification and a more robust opportunity set within the investable universe, we position our ESG program as client focused and solutions driven.

We are capable of, and have been, providing ESG solutions—ranging from negative screening and best-in-class tilting, to thematic and impact investing—in relation to all our investment disciplines, subject to client requests. Additionally, we have extensive experience managing portfolios in accordance with client-mandated investment restrictions, such as SRI guidelines, faith-based values and pre-selected security exclusions.

For clients who have specific ESG and / or engagement objectives, we partner with them to develop custom portfolios and reporting designed to meet their needs.

Please visit to learn more about [American Century's approach to ESG investing](#).

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*A strategy or emphasis on environmental, social and governance factors ("ESG") may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have an ESG investment focus. A portfolio's ESG investment focus may also result in the portfolio investing in securities or industry sectors that perform differently or maintain a different risk profile than the market generally or compared to underlying holdings that are not screened for ESG standards.*

*Diversification does not assure a profit nor does it protect against loss of principal.*

*The opinions expressed are those of American Century Investments and are no guarantee of the future performance of any American Century Investments portfolio. The information is not intended as a personalized recommendation or fiduciary advice and should not be relied upon for investment, accounting, legal or tax advice.*

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