ESG policy statement

Executive summary

ESG is woven into how we invest

Since Capital Group’s inception in 1931, the goal of achieving superior long-term results for our clients has shaped our distinctive investment process. Environmental, social and governance (ESG) issues are intrinsic to this process and are deeply woven into our fundamental research, due diligence and engagement. ESG does not represent a separate process or “add on” step. This is because an organization’s carbon emissions, its relationships with employees and the wider community, the independence of its board of directors and many other ESG practices all have a meaningful impact on long-term investment results.

We believe active management means active stewardship

As one of the world’s largest active investors, we are committed to active stewardship of our investments. We believe this reflects our focus on long-term results for the millions of families who entrust us with their savings. We engage with management teams, seeking to understand their approach and, when appropriate, offer our own deeply researched perspective on how to achieve long-term sustainable results in their specific sectors.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.
Our intensive research and, on average, our long-term holding periods naturally lead our analysts to develop constructive and enduring relationships with companies and issuers. We believe our detailed, hands-on, case-by-case approach to engagement serves an especially important role today, when a growing portion of the investment vehicles in our industry are designed to take human judgment out of the equation.

ESG analysis is interwoven into how we make investment decisions

The cornerstone of our investment process, The Capital System℠, is fundamental, first-hand research. Our analysts evaluate management structures, financial strength, resources, products and services, business practices, future earnings, sustainable impacts to the world around them, and a wide range of additional relevant factors. This deep analysis is crucial to identifying investment opportunities, and the consideration of ESG practices is pivotal to forming an investment thesis around a company or issuer’s material, long-term potential.

ESG integration into The Capital System has three primary components

Evaluating ESG risks and opportunities is deeply rooted in our investment process through three tightly integrated components:

2 Accounts for annual and general meetings for the 12-month period through December 31, 2020.
**Investment frameworks:** To systematically integrate ESG issues into The Capital System, our equity and fixed income investment analysts have developed more than 30 sector-specific, proprietary ESG investment frameworks. These frameworks help our investment professionals analyze the most relevant long-term sustainability issues that affect the organizations they are researching, helping to isolate the topics that are material to an investment decision. The frameworks reflect the perspectives of our deeply tenured equity and fixed income industry analysts (average tenure of 14 years\(^3\)), they cover the majority of instruments in which we invest and are continuously refreshed based on the learnings we achieve through our other two ESG investment components: monitoring, and engagement and proxy voting.

**Monitoring process:** To complement the work of our investment analysts, our team applies an ESG monitoring process to all of our equity holdings, as well as corporate, sovereign and high-yield bond holdings where data is available to us. This helps to identify investments that may require an elevated level of research, review and debate. We combine third-party ESG data with our own proprietary research, driven by our sector-specific investment frameworks and the insights of our analysts. This process helps flag a subset of investments for which we then apply greater scrutiny so that our equity and fixed income investment professionals focus their attention where it is most needed. They in turn debate the merits of flagged ESG issues and document perspectives. Where necessary, these issues are escalated for final review. This process is continually refined as we learn from our ESG investment frameworks and engagement efforts.

**Engagement & proxy voting:** We believe dialogue and engagement are stronger tools than exclusion to achieve sustainable long-term results. Our investment frameworks inform the topics on which we engage management teams. We document the goals we discuss with them and measure progress toward those goals. Proxy voting is an integral part of our investment stewardship process, and we aim to ensure that our votes are carefully analyzed against our proxy voting guidelines. Our investment professionals are directly involved in determining our proxy votes. We determine our own proxy positions and, as a principle, seek to vote in all regular shareholder meetings where we are not otherwise restricted due to local laws or regulations. We do not outsource this responsibility. Although as an active fund manager we invest in entities whose management we support, we will vote against management if we feel it is in the best long-term interests of our investors. Ultimately, we will divest if we believe engagement is not producing the outcomes necessary to create and sustain long-term value.

**Individual investment conviction combined with firm-wide perspective**

Capital Group is a diverse organization with more than 400 distinct investment professional perspectives. A key attribute of The Capital System is the fact that our investment professionals are empowered to pursue their individual investment convictions within the investment process, informed by fundamental research and rigorous debate. Additionally, firm-level guidance is provided in the form of our policies, proxy voting guidelines, systematic integration of ESG issues into The Capital System, and corresponding escalation procedures to help resolve differences in perspective. Further, to help enrich the debate, we have recently established the Capital Group Governance and Sustainability Initiative. This body is charged to identify and sponsor research on material governance issues in an effort to help shape and inform our point of view.

\(^3\) As of December 31, 2020.
In conclusion

In accordance with its fiduciary duty, Capital Group invests to achieve long-term sustainable results for those who entrust us with their assets. We have developed deep, sector-specific viewpoints on how material sustainability concerns affect the industries in which we invest, and we have carefully nuanced perspectives on how to engage as stewards of our investments in each sector. Our distinctive investing approach, The Capital System, is proven over decades of refinement, and ESG is systematically integrated within its very core, not as a “bolt on.” Every analyst and portfolio manager contributes to ESG integration. As we learn more, we continually refine and improve our approach. Our senior leadership is committed to ESG and stands accountable through our investment results to realize long-term outcomes.
Our ESG processes & support structures

1. Oversight & implementation

Capital Group has a robust governance structure in place to enable appropriate consideration of ESG issues and consistent integration into investment decisions.

- **Capital Group Management Committee** – The Capital Group Management Committee, charged by Capital Group’s board to set the organization’s overall business strategy, is responsible for ensuring its effective execution. As part of this process, the Management Committee is actively involved in setting Capital Group’s ESG mission and vision. This includes formalizing that vision into the Capital Group long-term strategy and providing resources and funding to achieve those outcomes.

- **ESG Oversight Group** – This group sets the strategic direction for our ESG agenda, approves policy, oversees the integration of ESG into our investment process, and reviews our ESG strategy with the Capital Group Management Committee throughout the year. The committee comprises a subset of the Capital Group Management Committee, our board, our global head of ESG and several senior leaders from across our business groups.

- **Capital Group Governance and Sustainability Initiative** – This group, formed in 2020 and led by a team of seven experienced Capital Group investment analysts and portfolio managers, aims to advance strong corporate governance and to drive long-term shareholder value. The Initiative commissions primary research and synthesizes contributions from our internal research teams, our quantitative analytics and macroeconomic teams, and third-party analysis. The insights from this research are intended to inform our investment decisions, stewardship activities with portfolio investments, and proxy guidelines.

- **Issuer Oversight Committee** – This group reviews issuers involved in significant ESG controversies, with a focus on those that may be in conflict with existing global standards, including guidelines from the United Nations Global Compact and the Organisation for Economic Co-operation and Development (OECD). The Committee determines if an issuer has violated these standards and if the issuer has taken appropriate action to remediate the concerns. On a quarterly basis, the Committee reviews organizations where outstanding issues remain. The Committee comprises the Principal Investment Officers (PIOs) from each of Capital Group’s four investment units, and representatives from Legal, ESG Research and Distribution.

- **Investment Group** – More than 100 portfolio managers and 200 in-house equity and fixed income analysts are the frontline engine for integrating ESG considerations into our investment process. They are responsible for evaluating all relevant financial and non-financial factors – including ESG issues – as part of their fundamental research in order to generate long-term value. This process involves weighing risks in the context of each individual investment. Within Capital Group, these individuals have the most in-depth knowledge and understanding of organizations, and coupled with their regular interaction, we believe they are best equipped to make sound investment decisions on behalf of our clients. These decisions are based on a holistic view of each issuer that incorporates the long-term prospects of the
individual entity, as well as the markets, industries and geographies in which it operates.

- **ESG & Proxy Team** – Capital Group has a dedicated 14-person ESG team, led by the Global Head of ESG. These specialists work closely with the Investment Group to identify ESG risks and opportunities, support the integration of ESG considerations into our investment process, execute our ESG monitoring process, and perform client reporting. This global team is also responsible for driving the implementation of ESG initiatives across Capital Group. Team members have experience in research, sustainable investing and issuer engagement.

The 17-person Governance Analysis & Proxy team assists the Investment Group in executing our stewardship activities. This includes supporting our investment professionals in the thoughtful evaluation of proxy proposals, voting by proxy committees at meetings in every market on behalf of our clients, as well as monitoring and assisting investment professionals with engagement work on governance or proxy voting-related issues.

2. Investment frameworks

Fundamental research is core to The Capital System, and ESG considerations are systematically integrated into our rigorous investment process. Our investment analysts across equity and fixed income have developed more than 30 proprietary, sector-specific investment frameworks that capture material ESG issues and cover all sectors in our investment universe. These also provide inputs for our ESG monitoring process and engagement agenda.

Material considerations are issues that have financial relevance and significance to an analyst’s investment thesis of an issuer or sector. External inputs such as those provided by the Sustainable Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) are valuable inputs, but the final framework is based on our proprietary knowledge and our analysts’ extensive experience.

Our investment frameworks are updated annually or in event-driven situations, such as the emergence of systemic fraud, cyber risk or other significant environmental, social or political events.

3. Monitoring process

Companies and issuers held by Capital Group are systematically monitored for material ESG considerations. This is performed for equity and fixed income instruments rated by third-party data providers, including corporate, sovereign and high-yield bonds. We set multiple ESG criteria based on the UN Global Compact, OECD and widely accepted third-party data, including MSCI, Sustainalytics and other proprietary data sources. Holdings that violate any of these criteria are flagged based on our proprietary methodology.

Flagged companies and issuers are subject to an escalated level of research and review for investment. Analysts and portfolio managers are required to document their perspectives on flagged issues, escalate internally as appropriate and engage with external management. Capital Group portfolio holdings that are under this increased level of scrutiny on existing ESG violations are reviewed on a regular basis for changes in scores or updates to information.
4. Engagement & proxy voting

Consistent with our investment philosophy and approach, we routinely engage in dialogue with the companies and issuers in which we invest. We do this to gain a better understanding of management teams and their values, strategy and stance on key issues. Where necessary, we advocate for change to protect and enhance the value of investments for which we are responsible.

Most of our engagement involves one-to-one meetings between investment professionals and senior management. In this respect, it forms an integral part of our fundamental research. Due to the size of our assets under management and position as one of the world’s largest active managers, we have excellent access to management teams, which provides us with the opportunity to ask direct questions and tackle the issues of greatest concern.

Our focus is on issues that have the potential to impact shareholder value. These include, but are not limited to, overall strategy, operational performance, capital structure, governance, environmental and social impacts, board composition, diversity, executive remuneration, disclosure and transparency, and many more topics that affect long-term results.

Our engagement activities combine the perspectives of our portfolio managers, investment analysts and, where appropriate, stewardship or ESG specialists in order to form a thorough perspective on each holding, its prospects, and the issues it faces as part of our investment process.

Capital Group believes exercising our proxy voting rights for the entities in which we invest is fundamental to fulfilling our obligations to investors.

We have robust policies for major governance and proxy voting matters. Our voting process ensures that proxy votes are analyzed on a case-by-case basis and benefit from multiple decision-makers bringing the weight of their collective experience to bear on the specific issues.

All proxy voting decisions are made in-house based on the long-term interests of our clients. Our Governance Analysis & Proxy (GAP) team coordinates and facilitates the proxy voting process, and GAP analysts draw on their deep local knowledge, institutional experience, and our established proxy voting guidelines. Ultimately, our investment analysts are responsible for making (or reviewing, as the case may be) the final recommendations on proxies. These recommendations are reviewed by senior analysts serving as proxy coordinators, and then, if needed, further reviewed and debated by our regional proxy voting committees who make the final vote decision. Our proxy voting committees primarily comprise investment professionals who bring a wide range of experience and views to each voting decision.

Specific to segregated accounts, clients have the ability to ask us to vote per our Capital Group proxy voting guidelines or to apply their client-specific voting instructions.

More information on our proxy voting procedures and principles can be found on our websites:

- U.S. Mutual Funds
  - American Funds Target Date Retirement Series®
- CII Proxy Voting Policy
- CIL Proxy Voting Policy
- CIMC Proxy Voting Policy
5. Proxy reporting

Capital Group supports transparency of our proxy voting record. Further, we abide by local regulations, which do occasionally have requirements unique to a specific jurisdiction.

U.S. mutual funds

Capital Group discloses how we voted (for, against or abstain) for all issuers held in the American Funds® managed by Capital Group for each 12-month period ending June 30. The annual disclosures are usually published in the autumn for the prior period. The most recent proxy voting results for equity securities held in each American Funds portfolio are available at:
https://www.capitalgroup.com/individual/policies-faq.html

Capital Group Luxembourg Funds, Capital International Limited (CIL) & Capital International Management Company (CIMC) managed accounts

We disclose how we voted on all our proxy votes and provide the rationale for votes against management, shareholder proposals and other votes that we deem significant for funds and institutional accounts managed by CIL and CIMC. Reports are published for each Luxembourg fund managed by CIMC. Both CIMC and CIL publish individual reports for segregated accounts in aggregate. Reports can be found on our website:

Capital International K.K. (CIKK) managed accounts (Japan)

We disclose how we voted on all our proxy votes and provide the rationale for votes against management, shareholder proposals and other votes that we deem significant for all companies in portfolios managed by CIKK, a Japan-based affiliate company of Capital Group. The disclosure is made on a quarterly basis and is on CIKK’s website:

6. Accountability of investment professionals

Our evaluation of our investment professionals takes into account investment results over eight-, five-, three- and one-year periods, with greater emphasis on the longer periods. Achieving superior, long-term returns is our only goal, so managers are rewarded for their results and not the level of assets they manage.

We believe that our rigorous and analytical research process, coupled with our experienced and appropriately incentivized investment teams, helps ensure that our investment strategies are aligned with our client objectives, both of which focus on the long term.
7. In-house training
Our ESG team provides in-house training and facilitates learning discussions across Capital Group on an ongoing basis. For our equity and fixed income investment professionals, these discussions focus on the specific ESG issues that are relevant to the asset classes and sectors in which they make investment decisions. This information is then further incorporated into the ongoing process to develop our ESG investment frameworks. All of our investment analysts participate. In addition, the ESG team hosts sessions with our non-investment professionals to spread knowledge about ESG throughout Capital Group and to encourage those associates to find ways to bring ESG into their own work. This has led to a number of innovative ideas within Capital Group that are contributing to our own work as a global steward (see Capital Group’s Update on Global Citizenship).

8. Securities lending
Certain accounts may participate in securities lending programs either under Capital Group’s oversight or under client direction for segregated portfolios. Where an account participates in securities lending under Capital Group oversight and there is a shareholder voting opportunity, the GAP team works with the Investment Group to identify and recall shares on a case-by-case basis to vote on material items, such as mergers and acquisitions, environmental and social shareholder proposals, executive compensation, or when the meeting is contested or there is activist involvement. When lending securities, Capital Group retains a portion of a holding in order to register a vote on all proxies.

9. Segregated accounts
Working closely with our clients, we support the ability for them to direct a set of exclusions, so long as we believe the resulting divergence from the underlying reference strategy will not undermine the quality of the client’s investment outcome. Similarly, clients are able to direct our proxy voting team to follow their specific voting instructions or allow us to apply our Capital Group proxy voting guidelines.

10. Signatory agreements
Capital Group supports a wide range of efforts by industry-related groups to advance the role of stewardship as an integral part of the investment process. As such, we are signatories to several agreements.

UN Principles for Responsible Investment (PRI)
Capital Group has been a signatory to the PRI since 2010. The PRI comprises a set of principles designed to provide a framework of best practices for responsible investment. The principles are voluntary and aspirational and acknowledge that responsible investment is a process that must be tailored to fit each organization’s investment strategy, approach and resources. We believe that our integration and engagement approach is consistent with the PRI, to which we report annually for compliance.
Task Force on Climate-related Financial Disclosures (TCFD)
We support the TCFD recommendations. To find out more about our approach, please refer to our Statement of Support for the TCFD on our website.

Local stewardship codes
Capital Group is a signatory to the following stewardship codes, which aim to enhance the quality and documentation of engagement with companies. Our responses to each code are available on our website.


11. Our participation in industry initiatives
As part of our commitment to being a responsible investor, we engage with industry stakeholders and policymakers to advance strong governance and responsible investment. This includes providing responses to consultation requests and surveys, as well as meeting with regulators to express concerns or support for policies and practices in relation to strong governance or responsible investment.

Capital Group actively shares best practices across the industry by participating in a number of global and regional associations. We use our voice as investors to contribute to setting high standards of industry practice.

We are members and active participants in the following organizations and initiatives, and contribute by speaking at and attending events, working on collaborative engagement initiatives and participating in working groups. We also engage in dialogues with standard setters such as the IASB and Financial Services Agency to improve accounting transparency. Finally, Capital Group’s chairman, Timothy D. Armour, was involved in the release of the Commonsense Corporate Governance Principles available at: http://www.governanceprinciples.org.
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<tr>
<th>Organization name</th>
<th>Function</th>
<th>Capital Group involvement</th>
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<tr>
<td>Sustainability Accounting Standards Board (SASB)</td>
<td>The Board’s mission is to establish and improve industry-specific disclosure standards across financially material environmental, social and governance topics that facilitate communication between companies and investors about decision-useful information.</td>
<td>Capital Group is an Alliance tier member of the Board, as well as a member of the SASB Investor Advisory Group (IAG), which comprises leading asset owners and asset managers who recognize the need for consistent, comparable and reliable disclosure of material and decision-useful ESG information. Our head of ESG Research and Investing, Matt Lanstone, serves on the Extractives and Mineral Services Standard Setting Group.</td>
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<td>Asian Corporate Governance Association (ACGA)</td>
<td>An independent nonprofit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.</td>
<td>Steven Watson, portfolio manager at Capital Group, is vice chairman of the ACGA.</td>
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<tr>
<td>International Corporate Governance Network (ICGN)</td>
<td>A globally recognized membership organization of around 800 leaders in corporate governance based in 43 countries, with a mission to raise standards of corporate governance worldwide.</td>
<td>We are part of the ICGN’s Shareholder Rights Committee.</td>
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<tr>
<td>Council of Institutional Investors (CII)</td>
<td>A nonprofit association of pension funds, other employee benefit funds, endowments and foundations with combined assets that exceed USD 4 trillion. The Council advocates effective corporate governance and strong shareowner rights.</td>
<td>Capital Group is one of the CII’s associate members.</td>
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<td>Harvard Law School Institutional Investor Forum (HIIF)</td>
<td>The Forum aims at contributing to discourse, policy making and education with respect to institutional investors and issues of interest to them. The forum is supported by a broad group of investors in the U.S. and other jurisdictions.</td>
<td>We are members of the HIIF Advisory Council.</td>
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<tr>
<td>The Investor Forum (UK)</td>
<td>The Forum’s purpose is to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value.</td>
<td>Capital Group is a founding member of the Investor Forum; Jessica Ground, Global Head of ESG at Capital Group, serves on the board.</td>
</tr>
<tr>
<td>Eumedion Corporate Governance Forum</td>
<td>The Forum’s objective is to maintain and further develop good corporate governance and sustainability performance based on the responsibility of institutional investors established in the Netherlands.</td>
<td>We are part of Eumedion’s investment committee.</td>
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12. Views on specific ESG issues

ESG Environmental

a. Climate change
In 2015, global leaders committed to an agreement at COP 21 in Paris to keep global temperature rises this century to well below 2 degrees Celsius above pre-industrial levels. The Paris agreement is already leading to significant policy action to decarbonize economies, which is set to accelerate. The associated transition costs, physical risks and stranded asset risks, as well as climate growth opportunities, mean that most entities will be impacted to some degree, and some to a significant amount. Our engagement activities are focused on ensuring in particular that companies and issuers are responding appropriately and factoring this change into their long-term planning processes.

We are proud to support the TCFD, a set of recommendations for consistent climate-related financial risk disclosures by organizations that provide information to investors. We encourage all of our investments to report against this framework.

To find out more about our approach, please refer to our Statement of Support for the TCFD on our website.

b. Water use
Water is a vital natural resource, not only for human consumption but also for a range of agricultural activities, industrial processes such as cooling, energy generation and mineral extraction. According to UN Water (2020), water scarcity already affects more than 4 billion people. Supply-and-demand-side pressure means that water scarcity is increasingly becoming a challenge for companies and issuers as they work with communities to maintain their licenses to operate. As a result, water stress has financial implications, namely in the agriculture, electric power, and food and beverage industries. In addition, there are impacts across asset classes, with water scarcity and quality potentially impacting the creditworthiness of countries, states and municipalities. Our investment frameworks across asset classes identify for which of our investments this is a material issue to ensure that we are monitoring and engaging on it appropriately.

c. Biodiversity & environmental degradation
Biodiversity, land-use and associated ecosystems provide a range of invaluable services to society that underpin human health, well-being and economic growth. After a decline of 68% in species’ populations between 1970 and 20164, the OECD Environmental Outlook to 2050 projects a further loss in biodiversity under a business-as-usual scenario. This loss could cause severe problems for land use and marine industries such as the fishing sector, as well as agriculture, extractive industries (cement and aggregates, oil and gas, mining), forestry (oil palm and timber) and tourism. As a result, we expect increased scrutiny of entities and countries about their practices in this area.

Globally, we are seeing increasing levels of legislation aimed at protecting the environment. It is essential that organizations have strong processes in place to ensure that they adhere to these standards. Our monitoring process identifies entities that have been implicated in environmental degradation. This includes violations on emissions, waste disposal or involvement in illegal deforestation either directly or in their supply chain. We engage with those who have been involved to ensure that they are taking the appropriate remedial action.

**d. Human rights, labor rights & modern-day slavery**

Capital Group acknowledges the Universal Declaration of Human Rights, the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work on labor rights and freedom of association, and the Palermo Protocol’s prohibition of all forms of human trafficking, modern-day slavery and forced labor. We believe that it is an essential obligation of our portfolio holdings to uphold these fundamental standards in their own operations and throughout their supply chains to maintain their license to operate. As such, we have systematically incorporated those issues into our investment processes.

In our firmwide ESG monitoring and engagement programs, we seek to ensure that analysts are aware of potential violations and engaging with issuers on these topics. We leverage the UN Global Compact as an overarching framework for corporate and credit issuers and draw on asset-class specific human rights flags in other fixed income asset classes, including sovereigns, structured products and private high-yield issuers. Additionally, we recognize that while such issues are critical for all businesses, risks of violation are higher in some industries and geographies. Industry-specific considerations are therefore incorporated into our proprietary sector-specific investment frameworks, allowing analysts to focus additional diligence and engagement where there is greater risk.

**e. Diversity, equity & inclusion**

A growing body of evidence suggests that diverse teams improve financial outcomes and support innovation, resiliency and productivity. In addition, changing demographic trends are leading organizations around the world to evolve in order to remain relevant to increasingly diverse customers, employees and talent pools.

We see it as consistent with our fiduciary duty as shareholders to understand an organization’s approach to diversity, equity and inclusion (DE&I), and we will engage with organizations on the topic where there is an opportunity for improvement.

**Workforce diversity**

A rich body of research indicates that a workforce with diverse personal and professional experiences fosters diverse perspectives, which contributes to an organization’s ability to deliver sustainable returns. In our experience, well-run organizations treat DE&I efforts as they would any other business priority. This includes:
• Board-level oversight of the firm’s DE&I strategy and initiatives
• Active executive-level sponsorship
• A publicly articulated policy on DE&I, specifying the actions the organization is taking, relevant goals or targets, and how progress is measured.

Key areas of focus include hiring, promotion, retention, compensation and the diversity of senior leadership and directors.

Board diversity
We believe it is critical for boards of directors to benefit from diverse perspectives. We expect portfolio holding companies and issuers in developed markets to have diversity on the board consistent with local market best practices.

Disclosure
We encourage all portfolio organizations to disclose the demographics of their workforce and board in a regionally appropriate manner, including gender, racial and ethnic demographics at different levels of seniority. For example, we expect U.S. issuers to make public Employer Information Report EEO-1 (EEO-1) data or equivalent reporting on their U.S. employees and, where feasible, to disclose similar information for other segments of the workforce.

f. Ethical conduct: Bribery & corruption
Over the years, Capital Group has earned a reputation for operating at the highest level of integrity. In our efforts to ensure that our own interests are never placed ahead of the interests of our clients, the Capital Group Companies has adopted a Code of Ethics (PDF). Our investment professionals place a high degree of emphasis on how issuers of securities conduct themselves, paying close attention to potential issues of concern such as accounting fraud, governance issues, suspicious acquisitions, conflicts of interest, bribery and corruption.

We acknowledge the UN’s Convention against corruption, and its approach to prevention and punishment. We expect issuers to have robust processes in place to prevent bribery and corruption, as well as to have appropriate lobbying and industry membership disclosures. Our monitoring process enables us to flag issuers where standards have fallen short and engage to ensure that companies and issuers are putting in the appropriate remedial action. We also monitor corruption indicators and the strength of the rule of law among both sovereign and structured product issuers, flagging those that may present outsized risk and require further diligence.

g. Oppressive regimes
These are commonly associated with systematic human rights abuses, an absence of the rule of law, a lack of freedom of expression and land rights abuses. Our ESG monitoring process and investment frameworks seek to understand which countries are governed by oppressive regimes and which entities operate or have supply chains in these countries. We comply with the sanctions on regimes issued by the Office of Foreign Assets Control (OFAC) in the U.S., the EU, the UN, and Her Majesty’s Treasury (HMT).
h. Data security

As the use of data grows, ensuring its protection and responsible use has become critically important. Data theft or leakage could have a significant impact on consumer trust, leading to a loss of market share and fines. We are seeing an increasing level of regulation in this area. We consider these elements through our monitoring process and investment frameworks to assess their potential implications.

i. Supply chains

As companies and issuers outsource more of their production to deliver production advantages, supply chains have become increasingly complex. As well as touching an increasing number of countries, the ultimate supplier of a product or service may be several layers deep, which creates risk. Increasingly, regulations in areas like modern-day slavery and conflict minerals make it clear that firms have clear accountability for their supply chain. We expect organizations to comply fully with such regulations, to the extent applicable, and have appropriate processes in place to conduct due diligence and monitoring of their supply chain. We evaluate organizations’ supply chains for controversies and material ESG risk through our monitoring process and investment frameworks.

ESG Governance

Information on our corporate governance principles can be found in our proxy voting procedures and principles listed on page 7 of this document.

All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.

American Funds Distributors, Inc., member FINRA.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.