



# Our Approach to Sustainable Investing

January 2024

## OUR FIRM

Since our founding in 1958, American Century Investments® has focused on serving our clients around the world by delivering compelling risk-adjusted performance through active management. We manage a broad range of investment solutions to meet the needs of institutional, advisory, and retail investors globally, including equity, fixed income, systematic, multi-asset class, and private equity strategies. Each of our investment disciplines follows distinct philosophies and processes designed for the markets in which it invests.

Our commitment to sustainability begins with American Century's purpose-driven business model, which sets us apart in the asset management industry. Our unique ownership structure supports advances in global health through the Stowers Institute for Medical Research while we strive to help our clients achieve financial success. This business model helps to shape our culture and makes incorporating sustainability principles into our investment practices a natural fit.

In addition, American Century is a signatory to the Principles for Responsible Investment (PRI) and believes that sustainability, or environmental, social, and/or governance (ESG), factors can potentially affect investment performance and/or investor behavior. We are committed to the PRI's principles of incorporating sustainability issues into investment processes and stewardship practices when doing so is consistent with our fiduciary duty.

## FUNDAMENTAL PRINCIPLES

American Century Investment Management, Inc. (ACIM) seeks to deliver value to our clients by applying an investment-led approach to sustainability when consistent with our fiduciary duty. Given the significant proportion of an investment's market value that is now comprised of intangibles, the long-term sustainability of a company's business model and durability of a borrower's cash flow can be increasingly influenced by material sustainability factors.

*The long-term viability of a company's business model and the durability of a borrower's cash flow can be increasingly influenced by how it addresses material sustainability issues.*

We use the term "ESG" to refer to the data that we incorporate into our processes, rather than an approach to investing. Sustainable investing encompasses both process-oriented (integration) and outcome-oriented solutions that aim to provide traditional financial alpha as well as environmental and social impact. *We believe sustainable investing can produce positive real-world outcomes while generating financial benefits, and that incorporating sustainability factors using ESG data into our investment processes can lead to more informed decision-making for our portfolios.*

ACIM's approach to sustainable investing is grounded in three principles:

- **Investment-led.** Investment performance is always our primary focus. Incorporating material sustainability factors is driven by the belief that the consideration of these issues can lead to more informed investment decisions and better outcomes for clients.
- **Independent Insights.** Our investment decisions are driven by proprietary research and tools. Our Sustainable Research analysts collaborate with investment teams in developing tools that help drive deeper insights and better results.
- **Innovation.** To stay ahead of the rapidly evolving, sustainable investing landscape, we partner with clients to develop new capabilities designed to achieve their specific investment goals.



For many of our investment teams, considering sustainability-related factors is part of a comprehensive assessment of an issuer’s long-term sustainability, which may help to maximize an investment strategy’s performance. In certain cases, clients have specific objectives related to a portfolio’s sustainability-related characteristics that we address by offering sustainability-focused investment solutions designed to reflect these bespoke requirements.

**Approach to exclusions/screening**

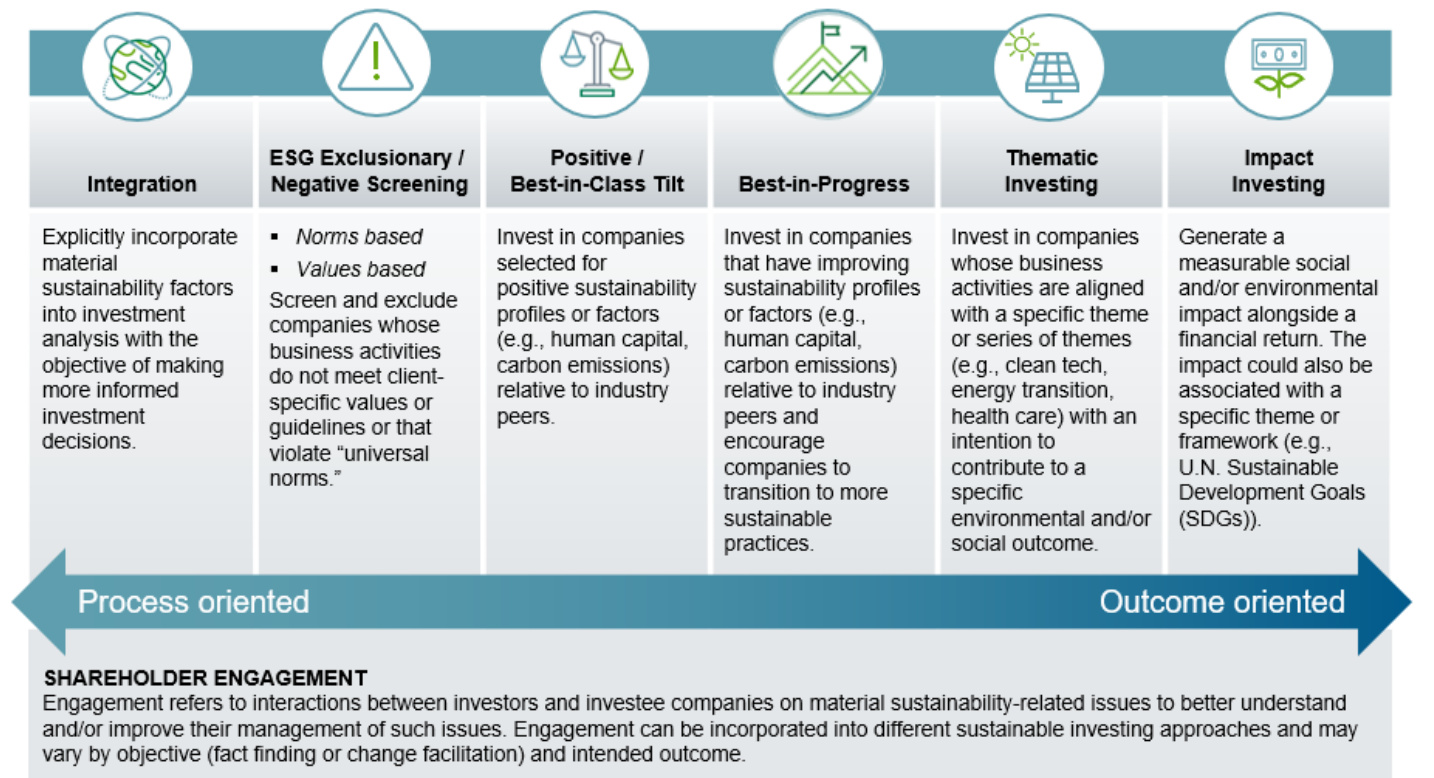
Our overall approach to sustainable investing is inclusionary rather than exclusionary. We are focused on creating value for our clients, rather than imposing values. We believe that, in most cases, staying invested and exercising our stewardship capabilities can lead to better financial and real-world sustainable outcomes. Our views on a company’s sustainability-related practices are most often reflected in position size, fair value assessment, duration, spread risk, and holding period. This approach allows our investment teams to:

- Engage with investee companies on material sustainability factors related to industries that may be seen as controversial, and/or
- Vote on resolutions that focus on material sustainability factors that they believe can affect long-term shareholder value.

Although we emphasize inclusion when appropriate, as noted above, we offer investment solutions designed to meet a range of client preferences that can include investment restrictions such as norms- or value-based exclusions.

**SCOPE**

Our sustainable investing approach applies to investment strategies that explicitly incorporate sustainability factors using ESG data into the investment process through fundamental research, quantitative data analyses, engagement activities, and/or proxy voting. These strategies include fundamental and systematic equities, fundamental fixed income, multi-asset strategies, and private equity. This document is intended to discuss the broad framework for incorporating sustainability factors into our investment processes using one or more of the approaches shown below.





## OVERSIGHT

The following committees and teams are responsible for defining, implementing, managing, and overseeing our sustainable investing practices:

- *The Management Committee* establishes American Century's strategic priorities, oversees our approach and commitment to sustainable investing, monitors our overall progress in this area and provides the resources needed to support this effort. The Management Committee is accountable to American Century's board of directors (the Board) and updates the Board on our sustainable investing strategy and progress at least annually.
- *The Investment Leadership Team (ILT)*, led by the firm's Chief Investment Officer (CIO), includes discipline CIOs, the head of sustainable investing and senior leaders across the investment organization. The ILT serves as the governing body for specific sustainable investing initiatives, approaches, process enhancements, and product development.
- *The Sustainable Investment Council (SIC)*, comprised of our head of sustainable investing and tenured investment professionals across many of our investment disciplines, underscores our investment-led approach to sustainability. The SIC is responsible for:
  - Consulting on and reviewing our sustainable investing approach,
  - Supporting the consistent implementation of our sustainable investing approach,
  - Evaluating, developing, and innovating our proprietary sustainable investing platform, S360™ (described below).
- *Our head of sustainable investing*, who reports to the CIO, is responsible for driving and executing the firm's sustainable investing strategy and oversees our dedicated Sustainable Research team. This team, which is part of our investment organization, produces original research on sustainability, delivers in-house training, creates develops sustainability-focused assessment tools and models, manages stewardship practices, and helps to develop innovative sustainability-related solutions for our clients.

For additional oversight, the head of Sustainable Investing regularly updates the Management Committee on our sustainable investing strategy and updates the corporate and mutual fund boards as requested.

For the ongoing monitoring of integration within our fundamental investment teams (equity, corporate credit, and sovereign debt) that integrate sustainability factors, each sustainable research analyst coordinates with specific investment teams to support and advance sustainable investing practices in alignment with our approach. Sustainable Research analysts are responsible for monitoring an investment team's sustainability research coverage and engagement activity regularly. Sustainable Research analysts also utilize an in-house "red zone" risk monitor within our research platform to help identify issuers with particular challenges and/or controversies related to sustainability issues.



### Compliance Monitoring

American Century's formal compliance processes monitor investment strategies based on documented requirements within client agreements and regulatory documents. This could include binding sustainability-related requirements, exclusions, and/or other restrictions.

For strategies that involve documented exclusions, our automated compliance system maintains restricted security and/or country lists, along with pre-trade checks designed to prevent trades that would result in a compliance exception. The restrictions, provided by clients and/or third-party vendors, are updated as needed. Our Compliance team periodically reviews the rules for accuracy and completeness. The compliance monitoring process is fully dependent on the availability and accuracy of the data.

It should be noted that "integration" is not considered a binding element within our sustainable investing approach and is therefore not monitored by the Compliance team.



## INTEGRATION BY ASSET CLASS

Working in partnership with the Sustainable Research team, our investment teams are responsible for determining how sustainability factors are integrated into the investment process. Our investment teams consider sustainability factors within their processes in alignment with an investment strategy's asset class, style, time horizon, opportunity set, and client objectives. Portfolio managers have discretion regarding whether and how sustainability factors impact the team's investment decision-making, and after considering these issues may conclude that other attributes outweigh sustainability factors when making decisions for a given portfolio.

The following briefly summarizes how many of our investment teams integrate sustainability considerations to various asset classes:

- **Public equity and corporate credit (fundamental strategies)**

Based on the view that integrating material sustainability factors into the fundamental research process results in a more comprehensive assessment of an issuer, investment teams that manage our fundamental public equity and corporate credit strategies incorporate sustainability factors into analyses and decisions with the goal of making more informed investment decisions. They may also consider material sustainability factors when engaging company management and voting proxies for equity positions.

- **Public equity and fixed income (systematic strategies)**

Our systematic investment strategies seek to extract information embedded in securities prices, recognizing that market participants process and incorporate publicly available information into those prices. While most of these strategies do not explicitly consider environmental and social sustainability factors in security selection or weighting decisions, our systematic investment teams place a particular emphasis on governance issues, given their potential impact on a company's financial performance. Our systematic investment teams may also leverage research, quantitative tools, and stewardship insights from our dedicated Sustainable Research team as appropriate.

Avantis Investors® offers a suite of responsible investment systematic equity strategies that incorporate values-based screens related to specific socially responsible or sustainability issues, such as carbon-emissions intensity, factory farming, potential fossil fuel emissions from reserves, firearms manufacturers, etc. The investment team may also consider material sustainability factors when engaging with company management and voting proxies for the responsible investment strategies.

- **Sovereign debt (fundamental strategies)**

Our sovereign debt team believes that integrating material sustainability factors into the fundamental research process helps them to comprehensively evaluate a country's economic and geopolitical strengths and vulnerabilities. Sovereign debt analysts use sustainability factors to help assess a security's fair value.

- **Municipals (fundamental strategies)**

Our municipal markets team believes material sustainability factors are important in evaluating a municipal bond issuer's risks. Understanding these factors produces a more complete picture of those risks at the sector level and for the issuing entity, city, county, or state. Municipal analysts incorporate sustainability factors to help assess the fair value of a security.

- **Multi-Asset Strategies**

In our multi-asset strategies, the primary goal of manager selection is to maintain the best mix of investment strategies that enable us to deliver on key return and risk objectives. While the multi-asset strategies team does not explicitly integrate sustainability factors at an issuer level, multi-asset strategies may invest in underlying portfolios that do incorporate sustainability factors into their processes. Therefore, selecting, monitoring, and





reviewing underlying managers for multi-asset strategies incorporates sustainability factors and proprietary sustainability assessment tools as appropriate.

- **Private Equity**

The private equity team invests in health care and climate-focused businesses that seek to create wealth while having a positive impact. The team believes this emphasis on impact is a key driver of success for their investee companies, and that managing sustainability-related risks and opportunities while pursuing impact can improve business outcomes and thus has the potential to create value. The private equity team often holds board seats within the companies they own.

As part of the due diligence process, the team evaluates whether a company's purpose is aligned with the mission of creating wealth alongside positive impact, and only pursues opportunities that meet those criteria. Through deeper analyses, the team seeks to understand the profile of a potential investment and its sustainability-related risks and opportunities. Annual reviews of investee companies include business ethics, management and board diversity, labor management and labor practices, supply chain systems, and product safety and quality. The private equity team may also leverage research and resources from our dedicated Sustainable Research team as appropriate.

## SUSTAINABILITY RESEARCH & ASSESSMENT TOOLS

Independent insights are central to our sustainable investing approach. The Sustainable Research team collaborates with many of our investment teams to develop and employ tools that help drive sustainability-related insights with the goal of producing superior results for our clients.

Our proprietary sustainability research platform, S360™, continues to be developed and brings together a wide range of datasets, a quantitative scoring model and other tools, information related to engagement activities, and qualitative research, providing a holistic view of sustainability-related risks and opportunities at both the individual issuer and portfolio level. The S360 framework is built for bottom-up issuer-level analyses that can be combined at the portfolio level. Driven by rigorous peer-group comparisons, the quantitative scoring model along with other analyses help our investment teams to make informed decisions. Sustainable research analysts may also utilize a "red zone" risk monitor within the S360 platform to identify issuers that have potential higher risk, have limited data disclosure and/or have been involved in controversies related to sustainability issues. This risk monitor includes third-party data inputs to supplement the proprietary S360 quantitative score.

### **S360 Quantitative Scoring Model**

S360's proprietary quantitative scoring model, a key tool for our fundamental equity and corporate credit investment teams, is the starting point for issuer-level sustainability analysis. The model generates a quantitative score that summarizes an issuer's performance on financially material sustainability factors relative to its peers. As materiality differs across sectors, an issuer's S360 quantitative score is driven by the factors and metrics that are most relevant and material at the sub-industry level. Our materiality map is supported by academic and/or industry research that ties the financial relevance of a sustainability factor to specific sub-industries. S360 scores are generated for individual sustainability factors, which are then weighted and combined to generate separate scores for the three pillars of Environmental, Social, and Governance. These pillar scores are then combined into an overall S360 quantitative score.



Examples of Sustainability Factors Within the S360 Quantitative Scoring Model		
Varies by Sub-Industry		Common to All
Environmental	Social	Governance
Asset integrity Biodiversity GHG emissions Raw material sourcing Water	Consumer safety Data privacy and cybersecurity Health and safety Human capital Quality management	Audit risk and transparency Board structure Compensation Corruption Shareholder rights

As part of their analysis, fundamental investment analysts may apply a trend adjustment, either improving or deteriorating, to the S360 score to reflect their qualitative view of an issuer's sustainability practices. The trend adjustment is dynamic and forward-looking, based on engagement activities and/or assessments of company-reported data that may not be captured by the S360 dataset. A poor quantitative score or negative trend does not mean that the security cannot be purchased, as sustainability is one of many factors the investment team takes into account when deciding to purchase a security. A low score can potentially be reflected in valuation, position size, or the duration of a holding period for that security.

The S360 platform is designed to support both the Sustainable Research team and investment teams while enhancing insights and capabilities for clients through:

**Transparency:** The S360 scoring model allows our analysts to drill down to the individual inputs that comprise the pillar-level scores to see exactly which metrics caused an issuer to score well or poorly. This focuses our analyses and informs recommendations for engagement.

**Context:** The S360 scoring model's peer-group rankings, in which all of the companies in a sub-industry are evaluated using a common set of metrics, provide essential context for evaluating issuer-specific sustainability risks. The model shows which companies have and have not disclosed certain metrics, which is useful for many reasons. In addition, we have also developed a robust Sector Practices framework to assess where a company's policies and practices stand relative to industry peers.

**Stewardship and engagement:** Monitoring trends identified by the S360 scoring model also informs our stewardship and engagement. Sustainability risks tend to emerge over fairly long periods, so strategies with lower turnover and longer-term holding periods may look at trends differently than strategies with higher turnover.

We understand that sustainability cannot be reduced to a number, and there are many factors that are qualitative in nature. In addition to the quantitative S360 scoring model, the S360 platform offers insights gained from direct company engagement, additional data sets, and information about a company's potential exposure to controversial activities. S360 helps investment teams determine whether these activities are likely to be material or represent a trend, and identifies where additional qualitative research may be useful.

When an investment team considers a sustainability-related risk to be material, that team may choose to reduce a position size or even divest/exclude the issuer from a portfolio. Alternatively, a favorable view of a sustainability-related issue may cause the team to increase a position size or valuation. Portfolio managers retain discretion as to whether or how to incorporate sustainability assessments into investment decision-making. Consequently, the investment team may conclude that other attributes of an investment outweigh sustainability considerations when making decisions for a portfolio.



### **S360 and Other Asset Classes**

The following tools apply to asset classes other than public equities and will be incorporated into the S360 platform in the future.

#### ***Sovereign Debt Model***

Sovereign debt is evaluated using an in-house model that incorporates data relevant to assessing country risk along with a sovereign issuer's sustainability across our sustainability themes (discussed below). Working with the Sustainable Research team, sovereign debt analysts evaluate the model output and integrate near-term geopolitical analyses into their assessments. We incorporate principles of the Just Transition in these assessments and avoid penalizing countries for being in earlier stages of economic development by evaluating sovereign risk within per capita GDP bands.

#### ***Corporate Bond Risk Management Tool***

Within our corporate bond strategies, analysts leverage the S360 platform to incorporate sustainability-related risks and opportunities in assessing a security's fair value spread target with our proprietary credit risk management/security selection tool.

#### ***Municipal Model***

When evaluating municipal bonds, our investment team considers three factors: 1) the specific asset being funded (where relevant), 2) the state or other issuing entity, and 3) an analyst-evaluated trend. Each factor is scored based on a proprietary combination of sector-based sustainability analyses and quantitative models. Our municipal analysts, in collaboration with our Sustainable Research team, have identified key sustainability-related risks for each muni sector. Analysts evaluate these risks using publicly available data from FEMA, issuer-disclosed data, data from CreditScope, and/or qualitative inputs. The model uses publicly available data to help analysts understand issuer and portfolio risks beyond traditional metrics, incorporating sustainability factors supported by academic research, and quantitative and qualitative measures to evaluate sustainability issues in each municipality.

### **S360 – Data and Sources**

Our independent insights are derived from our proprietary research and tools, engagement activity, and company-reported disclosure (e.g., 10-K, 10-Q, 20-F, GRI-compliant or equivalent sustainability reports, proxy statements). Our assessment tools are informed by academic and/or industry research and third-party data.

Our fundamental equity and corporate credit investment teams use assessment tools that leverage data from third-party providers such as MSCI, Sustainalytics, S&P, and/or ISS.

To evaluate sustainability-related risks for sovereign debt issuers we use data from a wide range of independent sources, including but not limited to the UNESCO, World Bank, UNDP, and FEMA. Municipal securities are evaluated using a combination of publicly available data from FEMA, issuer-disclosed data, data from CreditScope, and qualitative analyses.

## **SUSTAINABILITY THEMES WITHIN OUR INVESTMENTS**

We believe that most of the sustainability-related challenges and opportunities businesses face cannot be assessed separately from other drivers of economic sustainability and growth. Our research focuses on five mega-sustainability themes and sub-themes, shown below, that we believe are essential to building sustainable economies in which businesses can thrive. Four of the mega themes, Health Care, Empowerment, Sustainable Living, and Climate, align directly with the U.N. Sustainable Development Goals (SDGs) that are critical to achieving sustainable economic prosperity. The fifth, Technological Advancement, does not explicitly align to an SDG but we believe innovation and access to technology is key to achieving a more inclusive, productive, and sustainable global economy. We believe that opportunities within these areas to innovate solutions, address critical challenges, and transform society will help shape the future of sustainable investing.





### Health Care

#### Sub-themes

- Innovative Treatment
- Access to Medicine & Health Care Services
- More Productive Med Equipment & Services
- Lowering Costs



### Empowerment

#### Sub-themes

- Diversity, Equity & Inclusion
- Wage Structures
- Human/Labor Rights
- Upward Mobility



### Sustainable Living

#### Sub-themes

- Product End of Life
- Production
- Food Systems
- Product Life Extension
- Sustainable Infrastructure



### Climate

#### Sub-themes

- Alternative Energy
- Biodiversity
- Water
- Climate Mitigation
- Climate Technology
- Waste Management



### Technological Advancement

#### Sub-themes

- Digitalization
- Fintech
- Ecommerce
- Connectivity
- Automation

## STEWARDSHIP

These themes drive our top-down sustainable investing research and stewardship priorities and are incorporated into our proprietary S360 platform. In addition, the Sustainable Research team in partnership with the Sustainable Investment Council provides all investment teams with regular educational opportunities designed to increase the understanding of these sustainability risks and opportunities.

Here we provide examples of sustainability-related issues within these themes that we incorporate into our sustainable investing processes and stewardship activities.

### Theme: Health Care

While supporting innovation in health care is deeply ingrained in American Century's culture through our relationship with the Stowers Institute for Medical Research, health care is central to sustainability for many reasons that transcend our company. Simply put, health care is integral to economic prosperity, as businesses and societies cannot thrive if workers and consumers lack access to health care. Illness translates into lost wages and reduced productivity, which reduces profitability and trickles down into reduced consumer spending. On the flip side, medical innovations that lower the incidence or severity of a disease and/or reduce the cost of treatment can generate substantial economic gains for health care companies, while reducing the burden health care places on society. Investors benefit when health care is accessible and health care innovation is prioritized.

### Theme: Empowerment

The Empowerment theme highlights the importance of human capital management, which relates to a significant shift in recent decades in the way investors value assets on corporate balance sheets. Over 90% of the S&P 500's market value is now attributable to intangible assets, the majority of which are driven by or derived from human capital. If human capital management is inadequate, companies can experience high turnover, low employee engagement, and poor safety records, all of which may increase costs and reduce productivity. Companies with poor practices in this arena risk fines, lawsuits and reputational damage. The Empowerment theme also encompasses employee training and development that can improve employee engagement and reduce costly turnover.

### Theme: Sustainable Living

The theme of sustainable living focuses on how companies design, manufacture, and deliver all kinds of products sustainably. The logic here is simple: being wasteful with natural resources, raw materials, and other inputs is costly. Reducing waste therefore improves profitability. And, as all resources are limited, being wasteful reduces the amount of any good that can be produced and is ultimately unsustainable. We look for companies to take deliberate steps to reduce waste, starting with the design phase of product development. Building products in ways that makes it easier to recycle their components reduces waste, smart packaging saves on shipping costs, producing, and packaging food in a way that minimizes waste both increases profitability and reduces the amount of land and water used for agriculture. Smart



buildings and infrastructure that help businesses and consumers reduce energy consumption help to fight climate change and improve efficiency in an economy.

### **Theme: Climate**

Climate issues such as GHG emissions, water scarcity, and loss of biodiversity present financial, regulatory, and reputational risks to companies and their investors. Climate change-related challenges can increase operating costs, damage physical assets, and disrupt supply chains while negatively affecting natural resources like fresh water and raw materials that are essential to many industries. Pressures to address climate change and biodiversity loss are mounting, and companies that fall short could face structural headwinds and potential litigation. We believe decarbonization is the industrial revolution of this era. While it involves risk and change, and the path will not always be smooth, we see tremendous opportunities. Pursuing innovations and practices that help to fight climate change and protect biodiversity can lead to new revenue streams while potentially aligning with changing customer preferences. Moreover, companies with strong environmental credentials are often seen as less risky, potentially offering access to cheaper capital and better growth prospects. Integrating climate-related considerations is now essential to companies, both for risk management and in capitalizing on new opportunities in the global economy.

### **Theme: Technological Advancement**

While sustainability and technological advancement may not seem related, further reflection shows the virtually limitless ways technology can make the world more sustainable. Tech advances help companies to monitor a wide range of processes, from identifying when crops need to be watered and fertilized to monitoring when equipment is about to break down, to automatically turning off the lights when no one is in the room. Digital connectivity makes online banking accessible to merchants and consumers in emerging market countries, improving their financial security and supporting their economic growth. And now artificial intelligence is creating new opportunities through technological advancement in every industry, both in terms of revenue-generation and cost reductions. But along with those new opportunities come substantial risks that could destroy a company's reputation. That threat to sustainability must be proactively managed.

### **Governance**

Good governance plays a critical role in a company's long-term sustainability. We assess governance practices primarily as a risk mitigator for corporate issuers and examine governance as it applies to debt servicing for municipal bonds and securitized assets. We evaluate a company's governance practices that are considered to be financially material across the following categories.

**Audit Risk & Transparency:** We believe all companies need robust and effective internal and external audit procedures to establish and maintain integrity and transparency in financial and operational reporting. Issues we consider within our assessment include related-party transactions and audit committee independence.

**Board Structure:** We believe a board should include directors that can provide the relevant knowledge, independence, and diversity of perspectives that foster frank discussions and independent decision-making to prioritize the best interests of shareholders. Issues we consider in this category include the percentage of independent directors, board entrenchment, board diversity, and significant votes against directors.

**Compensation:** Executive compensation practices should align with a company's strategy and goals to help ensure long-term sustainability and value creation. Compensation-related disclosures should clearly convey the business rationale and be transparent to shareholders. Issues we assess include long-term pay performance, pay committee independence, and golden parachutes.

**Corruption:** Corruption damages governments, economies, industries, businesses, and individuals, and anti-corruption efforts are viewed as integral to good corporate governance. A company should have robust policies to mitigate the risk of bribery and other forms of corruption and should communicate these policies to shareholders and relevant stakeholders.

**Shareholder Rights:** We believe shareholders' voting rights should be directly linked to their economic interests as owners of the corporation to ensure the board of directors is accountable to all shareholders. We generally oppose multi-class capital structures with differential voting rights. In our view, these structures may often lead to entrenched management and diminish management's responsiveness to other shareholders. Our assessment in this arena includes,



but is not limited to, issues such as the protection of minority shareholder rights, voting rights, and voting-related procedures.

## STEWARDSHIP

As long-term investors and stewards of our clients' capital, we view engagement and proxy voting as essential tools in driving returns and managing risk. We are committed to:

**An investment-led approach.** When fulfilling our stewardship responsibilities, we believe the close collaboration between our investment teams and the Sustainable Research team reflects the principle of our investment-led approach to sustainability and leads to a cohesive integration process, more informed investment decisions, and, ultimately, better outcomes for our clients.

**Transparency.** We believe transparency regarding stewardship priorities is important—for our clients, our investee companies, and other key stakeholders. We provide information about how we plan to uphold our active ownership responsibilities and advise investee companies of our key areas of focus. We also encourage company management to be more transparent, as that is critical to us in making informed investment decisions for our clients.

**Constructive engagement.** Engagement is an important element of our sustainable investing approach and contributes to our analysis of a company's long-term sustainability. Our engagement practices apply to both equity and corporate credit investment teams that incorporate the consideration of sustainability factor *and* traditional financial analysis into their investment processes.

**Prudent proxy voting.** For our equity portfolios, our Sustainable Research team is guided by our Sector Practices framework when assessing the financial materiality of sustainability-related issues underpinning each shareholder proposal and makes voting recommendations to our portfolio management teams. We assess all proposals on a case-by-case basis, prioritizing shareholder returns, and we generally support those that promote strong governance, increased transparency, and consistency in disclosures.

### Engagement

Direct engagement with equity and corporate bond issuers is an important element of our sustainable investing approach. While engagement is primarily conducted by our fundamental investment teams, our systematic investment teams have access to our engagement resources and insights. The Sustainable Research team, in partnership with investment teams, manages our engagement protocol. Engagement activities focus on material sustainability-related factors that we believe could potentially impact the value of the company. The Sustainable Research team may also engage with companies on our sustainability themes (discussed above) that we believe are essential to achieving a sustainable economy.

Engagement activities may include in-person meetings, written communications, and industry forums. This contributes to our sustainability assessments, resulting in more informed investment decisions, and provides the opportunity to:

- Gain a more thorough understanding of a company's approach to managing sustainability-related opportunities and risks, evolving market dynamics, and potential controversial activities,
- Encourage increased transparency around and disclosure of material issues related to sustainability and associated risks,
- Discuss sustainability-related best practices and industry standards,
- Establish expectations regarding a company's sustainability practices and encourage change as appropriate, and
- Inform the positions we take on shareholder proposals.

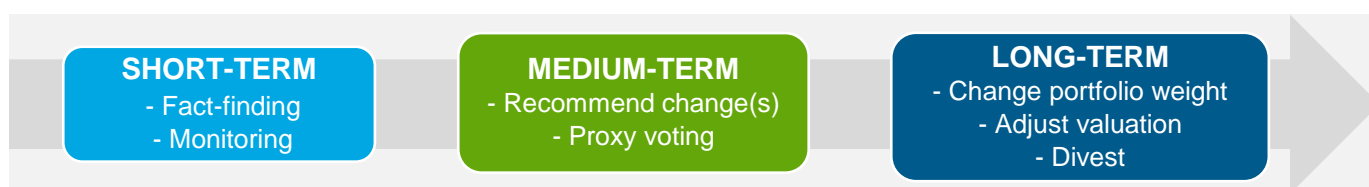
Our engagement process begins by identifying material sustainability-related issues that we believe could impact an investee company's financial condition. Examples of these topics include climate change risk and water stress, access to health care, business or legal controversies, data privacy and cybersecurity, human capital, and human rights.



Our engagement agenda may be driven by one or more of the following:

- **Company-specific concerns:** Focuses on material sustainability-related risks and opportunities that could affect a company's long-term prospects and performance. Engagements are with companies that we have researched and uncovered specific areas of risk or opportunity we want to address. We typically engage one-on-one with these companies to help us identify and prioritize key issues and inform our investment analyses. We may engage companies on a regular cadence to build relationships that can lead to change facilitation in the future. Through these engagements, we are able to gain an understanding of how the company's sustainability practices have developed over time.
- **Ad-hoc or event-driven issues:** Deals with sustainability-related issues arising from events such as a severe controversy, or proxy voting where we see an issue that requires near-term action.
- **Thematic engagement:** Runs across various companies on sub-themes and topics aligned with our sustainability themes: health care, empowerment, sustainable living, climate, and technological advancement. These engagements include comprehensive discussions on how a given company is addressing risks and opportunities related to those sub-themes. Our Sustainable Research team typically leads thematic engagements in collaboration with investment teams.

When engaging with investee companies, our emphasis and outcome vary depending on the issues and timeframe involved, and the way we define progress and/or success may differ across companies and investment strategies.



If an investee company fails to adequately address our concerns over a reasonable timeframe, or if fundamentals do not properly compensate us for exposure to a risk we have identified, portfolio managers may escalate by:

- risk-adjusting a valuation or spread target,
- engaging with an individual board member and/or describing our position and engagement goals in a letter to the full board, which can serve to indicate our future voting intentions if an issue is not addressed,
- using proxy voting to express our support for change on behalf of our clients, or
- decreasing the company's weighting in the portfolio, or (as a last resort) divesting.

We prefer to engage with companies rather than divest. Divesting clearly expresses dissatisfaction; however, we believe that pursuing change through ongoing engagement ultimately yields better outcomes for clients. We view divestment as a last resort, and it is done on a case-by-case basis.

The escalation timetable depends on the materiality of the issues, investment time horizon, and portfolio objectives.

Engagement activities are summarized in S360, our shared investment research platform, to facilitate collaboration and increase transparency across our investment teams. Engagement summaries catalog objectives, record a company's progress and document outcomes. Investment teams may consider the outcomes of engagement, subject to time horizon and financial materiality assessment, when evaluating investment decisions.

#### **Proxy Voting (fundamental and systematic equity strategies)**

In voting proxies, American Century is guided by general fiduciary principles. We act prudently and solely in the interest of the beneficial owners of the accounts that we manage. In short, we vote proxies in the manner that we believe will do the most to maximize shareholder value. American Century has adopted written proxy voting policies to help inform our voting decisions.





We utilize Institutional Shareholder Services (ISS) as input to our proxy voting research process, but we do not delegate or outsource our proxy voting decision-making activities. Although we consider ISS's recommendations, we do not rely on them in deciding how to vote our clients' shares.

We believe certain sustainability factors can potentially affect an issuer's long-term financial performance. Our Sustainable Research team reviews proxy proposals that have been identified as having potential underlying sustainability-related issues and affect positions held across our equity strategies. Incorporating various inputs, including our Sector Practices framework and ISS proxy recommendations, the Sustainable Research team analyzes the financial materiality and potential risks or economic impact of the sustainability issues underpinning proxy proposals and makes voting recommendations to portfolio managers based on those analyses.

The Sustainable Research team assesses shareholder proposals on a case-by-case basis and may recommend support if it believes there is a material linkage between a proposal, an economic impact, and a potential to increase long-term shareholder value. Examples of sustainability-related proxy issues include board independence, director over-boarding, environmental disclosures, human capital management, supply chain management, and shareholder rights.

Because different sustainability issues may affect portfolios differently, portfolio managers' consideration of these issues may vary. Thus, portfolio managers may vote differently than the Sustainable Research team's recommendation or from another American Century investment team. Portfolio managers have the authority and are ultimately responsible for final voting decisions for the portfolios they manage.

Our votes are recorded on the ISS platform, which allows us to track and report overall voting results. Our proxy votes are publicly available on our [website](#).

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

### **Industry Affiliations and Collaboration**

As part of our commitment to stewardship, we participate in a select group of affiliations and industry collaborations that promote sustainable investing. We prioritize involvement with a smaller, more targeted number of initiatives that align with our investment-led approach and advance our sustainability themes.

Organizations and affiliations we are a member of or support include: Council of Institutional Investors, Principles for Responsible Investment, Investor Stewardship Group, Carbon Disclosure Project, Task Force on Climate-Related Financial Disclosures, Task Force on Nature-Related Financial Disclosures, Investors Against Slavery and Trafficking Asia-Pacific (founding member), Access to Medicine Foundation, Responsible Investment Association Australasia, ShareAction (Healthy Markets Initiative), Human Capital Management Coalition, and a member of the Ellen MacArthur Foundation Community.

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





## Disclosures

Many of American Century's investment strategies incorporate sustainability factors, using environmental, social, and/or governance (ESG) data, into their investment processes in addition to traditional financial analysis. However, when doing so, the portfolio managers may not consider sustainability-related factors with respect to every investment decision and, even when such factors are considered, they may conclude that other attributes of an investment outweigh sustainability factors when making decisions for the portfolio. The incorporation of sustainability factors may limit the investment opportunities available to a portfolio, and the portfolio may or may not outperform those investment strategies that do not incorporate sustainability factors. ESG data used by the portfolio managers often lacks standardization, consistency, and transparency, and for certain companies such data may not be available, complete, or accurate.

## Sustainable Investing Definitions

- **Integrated:** An investment strategy that integrates sustainability-related factors aims to make investment decisions through the analysis of sustainability factors alongside other financial variables in an effort to make more informed investment decisions. A portfolio that incorporates sustainability factors may or may not outperform those investment strategies that do not incorporate sustainability factors. Portfolio managers have ultimate discretion in how sustainability factors may impact a portfolio's holdings, and depending on their analysis, investment decisions may not be affected by sustainability factors.
- **Sustainability Focused:** A sustainability-focused investment strategy seeks to invest, under normal market conditions, in securities that meet certain sustainability-related criteria or standards in an effort to promote sustainable characteristics, in addition to seeking superior, long-term, risk-adjusted returns. Alternatively, or in addition to traditional financial analysis, the investment strategy may filter its investment universe by excluding certain securities, industry, or sectors based on sustainability factors and/or business activities that do not meet specific values or norms. A sustainability focus may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have a sustainability investment focus. Sustainability-focused investment strategies include but are not limited to exclusionary, positive screening, best-in-class, best-in-progress, thematic, and impact approaches.

Risk management does not imply no risk.

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