Sustainable Investing Policy
December 2022

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.

Sustainability is an important part of American Century’s culture. Our controlling owner, the Stowers Institute for Medical Research, is a world-class biomedical research organization, and more than 40% of our dividends go to support its efforts to better understand human health and life-threatening diseases. Since 2000, we’ve distributed more than $1.87 billion to the Stowers Institute. Because of this structure, the only one like it in the industry, employees and clients of American Century help support the Stowers Institute’s mission: to make a significant contribution to humanity through medical research by expanding the understanding of the secrets of life and by improving life’s quality through innovative approaches to the causes, treatment, and prevention of diseases. Our dividends fund the Stowers Institute's research to promote well-being for all at all ages, aligning with one of the United Nations' sustainable development goals, SDG-3. This sets us apart as an asset manager, generating an impact on global health while helping clients achieve financial success.

With sustainability firmly rooted in our culture through our relationship with the Institute, American Century’s views on environmental, social, and governance (ESG) factors also play an important role in our investment practices. For example, American Century is a signatory of the Principles for Responsible Investment (PRI) and supports its mission to promote the incorporation of ESG considerations into investment processes, active ownership policies, and practices.

American Century’s Sustainable Investing Guiding Principles

▪ Our primary mission is to deliver superior, long-term, risk-adjusted returns for clients.
▪ We seek to identify material ESG risks and opportunities, which may affect the performance of individual securities, industries, and sectors.
▪ We seek to integrate the analysis of potential risks and opportunities associated with material 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.
▪ As long-term stewards of our clients’ capital, we see engagement and proxy voting as helpful tools in driving future returns.
▪ A commitment to innovation is crucial as the fast-paced landscape on ESG policy, trends, methodology developments, and best practices is constantly evolving.

Oversight and Execution

The firm’s Management Committee, which is charged with setting American Century’s strategic priorities, provides general oversight for the firm’s overall sustainable investing strategy and commitment. Direct oversight and accountability for sustainable investing activities fall under the Chief Investment Officer (CIO), who oversees the investment teams’ efforts to account for material ESG issues within their investment processes. The Investment Leadership Team, which is composed of senior leaders across the investment organization, serves as the governing body for sustainable investing initiatives, including integration approaches, process enhancements, product development and engagement activities.

The Head of Sustainable Investing reports to the CIO and is responsible for driving and executing the firm’s sustainable investing strategy and overseeing our dedicated Sustainable Research team. Our Sustainable Research team is a part of our investment organization and serves as the center of expertise supporting those investment teams that seek to incorporate ESG issues into fundamental analysis and portfolio decision-making.
Our Sustainable Research team is responsible for implementing firmwide and thematic sustainable investing research and training, developing ESG assessment tools, managing stewardship practices, and innovating client solutions. The Sustainable Research team promotes the consistency of ESG integration through regular educational opportunities. These opportunities allow our investment organization to stay abreast of ESG trends, methodology developments and best practices. Specific portfolio team-level training advances the application of ESG knowledge and facilitates the integration of material ESG considerations into the investment process.

Our investment teams, which are led by seasoned investors, work in partnership with our dedicated Sustainable Research team as they seek to incorporate material ESG factors into their fundamental research. Our investment teams are well resourced to assess the materiality of ESG issues within their investment processes. Our Sustainable Research team's research and expertise strengthen the investment teams' ESG knowledge, and our innovative assessment tools facilitate our teams' research and insights.

As sustainable investing evolves, it is essential that our approach also continues to reflect clients' shifting needs and preferences. The Sustainable Investment Council is comprised of the head of Sustainable Investing and tenured portfolio managers who represent all our investment disciplines. The Council facilitates our sustainable investing strategy, advances client-focused solutions, and bolsters our expertise. The Council also partners with the Sustainable Research team to effectively leverage its expertise, elevate training, and prioritize areas for research.

**Sustainability Themes**

We take a thematic approach to sustainability research, believing that many of the challenges and opportunities that businesses face cannot be assessed in a simple E-S-G vacuum. Our five mega-themes and related sub-themes are shown below. Opportunities within these areas to innovate solutions, address critical challenges, and transform society will help shape the future of sustainable investing.

These themes drive our top-down sustainable investing research and stewardship priorities. We also incorporate these themes into our proprietary assessment tools. Additionally, we train our investment teams on these emerging sustainability risks and opportunities. Widening our perspective allows us to look at issues across the supply chain for a particular company and assess sustainability more holistically.
ESG Integration Approach

For equity and corporate issuers

We believe that integrating ESG factors into our fundamental investment process allows us to assess the long-term sustainability of a company’s business model or durability of cash-flows over time more holistically. We believe ESG issues can be important inputs into the fundamental analysis process and may contribute to downside risk mitigation or the understanding of upside potential of a company’s long-term business value. That is why many of our investment teams incorporate ESG considerations into their investment processes.

The imperfect and evolving nature of ESG data provides those investment teams with an excellent opportunity to demonstrate the value of active management and proprietary research. Because ESG data are typically voluntary and unaudited, our ESG analysis focuses on more than just company disclosures. To complement this research, our teams that incorporate ESG considerations may also refer to third-party ESG data from data aggregators and other specialized data providers. We do not, however, rely exclusively on third-party ratings. Our conclusions are based on proprietary processes and research. Material ESG issues determined likely to impact the long-term value of a company are not identical or uniform for companies across the investment universe. ESG risks and opportunities facing a company can vary by industry or sector and at the individual company level due to unique business models. Therefore, our ESG research framework is designed to account for these differences. We utilize a three-layer research framework that seeks to identify macro-, sector- and issuer-level ESG risk and opportunity. Materiality is the foundation of the research framework and assessed at each of these layers. This framework guides our integration process, aligning with our fundamental analysis process and fiduciary duty.

To assess whether ESG issues could result in risks or opportunities to a particular security’s valuation or cause a downgrade of its fundamental profile, investment analysts generate an ESG assessment that incorporates a proprietary ESG scorecard application. Although not every security in every portfolio’s investable universe may have an ESG assessment, for those that do, scores are based on material quantitative and qualitative environmental and social indicators that are sector-specific and derived from company-reported data. A governance risk assessment complements this analysis by benchmarking companies against quantitative governance indicators based on company-reported and third-party data, regardless of sector.

Depending on the sector, environmental and social factors include, but are not limited to:
- Circular economy
- Climate change (including carbon reduction and biodiversity)
- Cybersecurity and data privacy
- Health care
- Human capital management
- Product safety and quality (supply chain and manufacturing)
- Water stress

Regardless of the sector, governance factors include:
- Accounting practices
- Board composition
- Business (mis)conduct
- Executive pay-for-sustainability performance alignment
- Independence and entrenchment
- Ownership structure

The scores are dynamic and intended to capture whether a company’s ESG management practices are improving or worsening over time. The assessment results in a final ESG rating composed of an ESG score and a trend signal for a company. For those investment teams that consider ESG factors, the ESG assessment is a potential input into the fundamental research process, and investment analysts may incorporate this assessment of ESG risks and opportunities into their research with a specific focus on portfolio performance implications. However, the portfolio managers retain discretion as to whether or how to incorporate such ESG assessments into their investment decision-making and, even
when such data is considered, they may conclude that other attributes of an investment outweigh ESG considerations when making decisions for a portfolio.

**How we integrate ESG risks and opportunities**

There are multiple approaches to integrating ESG factors within our common ESG investment framework. While all in-house fundamental ESG research is based on our foundational framework of macro, sector, and issuer materiality, investment teams that integrate ESG factors do so in alignment with a specific investment strategy’s asset class, style, time horizon, opportunity set, and client objectives.

**Management of Climate Change Risks and Opportunities**

We believe the best approach to mitigating climate risk is through a combination of:

- A bottom-up approach to understanding how companies address climate risk,
- Investing in companies that provide innovative solutions to climate-related challenges, and
- Exercising our rights as active owners to influence corporate action.

We take an active approach to climate risk in our portfolios focusing on understanding how companies are positioned now and in the future as the world continues to decarbonize. We also believe this transition should be in accord with the Climate Justice Alliance’s “Just Transition” initiative. This is an explicit area of focus in our climate-related engagements.

On a bottom-up basis, climate risk is assessed through our proprietary materiality map and ESG scorecard. Investment teams are focused on assessing the material ESG risks and opportunities and their impact on the investment thesis. Climate change and related issues such as carbon pricing, water stress and biodiversity are issues that could affect long-term global market dynamics and regulatory developments. To assess whether climate-related risks are material to investment holdings, we apply a proprietary scoring system that evaluates securities’ performance against quantitative and qualitative environmental indicators. Examples include:

- Quantitative environmental indicators such as environmental efficiency ratios, investments/costs toward environmentally conscious products or regulatory compliance;
- Qualitative environmental indicators such as policies and programs for managing environmental compliance risk and footprint, asset integrity controls and supply chain issues (e.g., traceability of raw material sourcing and chemical safety regulatory compliance);
- Governance matters linked to environmental issues such as environmental misconduct controversies/remedial action, board-level environmental and asset integrity (physical risk) oversight and executive pay-for-performance alignment on corporate environmental targets (e.g., carbon emissions reduction, investment in renewables - transition risk).
In terms of measuring climate-related risks at the portfolio and issuer levels, we have developed both a portfolio carbon footprinting and a stranded assets scenario analysis tool. The carbon footprint tool measures a portfolio’s exposure to carbon intensive names and sectors relative to the benchmark. Based on carbon pricing scenarios, the stranded assets scenario tool stress-tests carbon-intensive portfolio holdings' relative margin of safety to service debt amid potential rising costs associated with evolving environmental and climate change regulations, including carbon taxation, affecting the energy and power sectors.

Per our Active Ownership policy, climate change is an important topic for engagement and proxy voting, and as such, we may dialogue with those companies that still have room for improvement.

**For sovereign issuers**

For sovereigns, each new investment in the portfolio is filtered using a proprietary ESG screening tool. This tool incorporates ESG-related factors from independent data sources that include but are not limited to the USEIA, World Bank, UNDP, UNESCO, and WEF. Overall E, S, and G scores are calculated for each sovereign from weighted ESG factors and ranked using our proprietary model. The investment team evaluates the data in collaboration with the Sustainable Research team and integrates near-term geopolitical analysis into their assessment.

**Stewardship**

**Engagement**

Direct engagement with investee companies is an important element of our ESG integration approach. The Sustainable Research team, in partnership with investment teams, manages our engagement protocol. Engagement is focused on material ESG-related issues that we believe could potentially impact the value of the company. The Sustainable Research team may also engage companies on key themes that we believe will drive us toward a sustainable economy. Engagement activities may include in-person meetings, written communications, and industry forums. Engagement contributes to our ESG assessments, resulting in more informed investment decisions, and provides the opportunity to:

- Understand a company’s approach to ESG risk management, including controversies and associated remedial actions.
- Encourage transparency around material ESG issues.
- Promote best sustainable practices and industry standards.
- Establish expectations intended to facilitate a positive change in a company’s practices.
- Seek alignment on shareholder proposals.

Engagement activities are summarized in our shared investment research platform, facilitating collaborative efforts and increased 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. Examples of ESG engagement topics include access to medicine; climate change risk; controversies; data privacy and cybersecurity; diversity, equity and inclusion; human rights; and water stress.

**Proxy Voting**

Our ESG integration process extends to our proxy voting practices. Proxy voting allows us to demonstrate our commitment to ESG issues and further promote sustainable practices. Our Sustainable Research team reviews proposals that have been identified as having potential underlying ESG issues for our client portfolios. With a range of inputs, including the Institutional Shareholder Services Socially Responsible Investment (ISS SRI) proxy recommendations, the Sustainable Research team assesses the financial materiality of ESG issues underpinning proxy proposals. Based on this assessment, the team makes voting recommendations to portfolio managers. The Sustainable Research team generally recommends support for well-targeted ESG proposals if it believes there is a rational link between a proposal, its economic impact, and its potential to maximize long-term shareholder value. Examples of ESG proxy issues include board independence, director over-boarding, environmental disclosures, board diversity, gender pay gap, labor practices and supply chain management, and shareholder rights.
American Century discloses our proxy voting history for mutual funds and ETFs on our website. Details on our proxy voting polices, including how conflicts of interest are addressed, are available [here](#).

### Reporting

Our sustainable investing program is solutions driven, and for clients who have specific ESG and/or sustainability objectives, we partner with them to develop custom reporting designed to meet their needs. Our reporting menu includes:

- Proprietary ESG scores and distribution
- External ratings and distribution
- Proprietary ESG screens
- ESG attribution (for relevant portfolios)
- Portfolio-level carbon footprint
- Stranded assets analysis
- Sustainable Development Goal (SDG) and impact alignment (stock- and portfolio-level)
- Sustainability metrics
- ESG engagement activity
- ESG proxy voting

### Client-Focused Solutions

We proudly position our sustainable investing program as client focused and solutions driven. While American Century emphasizes ESG integration across many of our investment strategies, we also offer ESG-focused solutions that are designed to promote sustainable characteristics and outcomes. Our ESG-focused capabilities include best-in-class tilt, thematic, and impact investment strategies. These capabilities benefit from our ESG integration framework and are designed to promote sustainable outcomes in addition to seeking superior, long-term, risk-adjusted returns. Additionally, we have experience and expertise in managing portfolios in accordance with client-mandated investment exclusions, such as SRI guidelines, norms-based values, faith-based values, and other pre-selected exclusions.

Clients are the heart of who we are, and we will continue to advance our investment capabilities through solutions designed to achieve the sustainable investing goals of our clients.

Please visit to learn more about [American Century’s approach to sustainable investing capabilities](#).
Many of American Century’s investment strategies incorporate the consideration of 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 ESG data with respect to every investment decision and, even when such data is considered, they may conclude that other attributes of an investment outweigh ESG considerations when making decisions for the portfolio. The consideration of ESG data may limit the investment opportunities available to a portfolio, and the portfolio may perform differently than those that do not incorporate ESG considerations. 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.

Risk management does not imply no risk.

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.

American Century Investment Management (UK) Limited is registered in England and Wales. Registered number: 06520426. Registered office: 12 Henrietta Street, 4th Floor, London, WC2E 8LH

American Century Investment Management (Asia Pacific), Limited currently holds Type 1 and Type 4 registrations from the Securities and Futures Commission (“SFC”). American Century Investment Management, Inc. is not registered with the SFC.

American Century Investment Management, Inc. is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) (Australian Corporations Act) in respect of the financial services it provides to “wholesale clients” for the purposes of the Australian Corporations Act and does not hold such a licence. American Century Investment Management, Inc. is regulated by the Securities and Exchange Commission under United States laws which differ from Australian laws. Any financial services given to any person by American Century Investment Management, Inc. in Australia are provided pursuant to ASIC Class Order [CO 03/1100].

American Century Investment Management, Inc. is authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)).