

A photograph of a middle-aged man with grey hair and glasses, wearing a blue and white checkered button-down shirt. He is looking down at a document he is holding in his hands. The photo is framed by a blue border. The background is a blurred office setting.

ESG policy statement

April 2024

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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The Capital System™

Capital Group is a diverse organization that benefits from the distinct perspectives of more than 470* investment professionals.

Fundamental research is the cornerstone of our investment approach, The Capital System. Our analysts evaluate management structures, financial strength, products and services, supply chains, resource use, business practices and future earnings forecasts, among other relevant considerations. We identify investment opportunities through deep analysis – analyzing material risks and opportunities is a crucial aspect of how we assess an issuer’s long-term potential to generate value. Firm-level guidance is provided in the form of our policies, proxy voting guidelines and integration of ESG issues.

The Capital System combines high-conviction decision-making with the diversity that comes from multiple perspectives and rigorous debate. The aim of our research-driven approach is simple: We’re striving to deliver superior long-term results to our clients.

ESG philosophy & governance

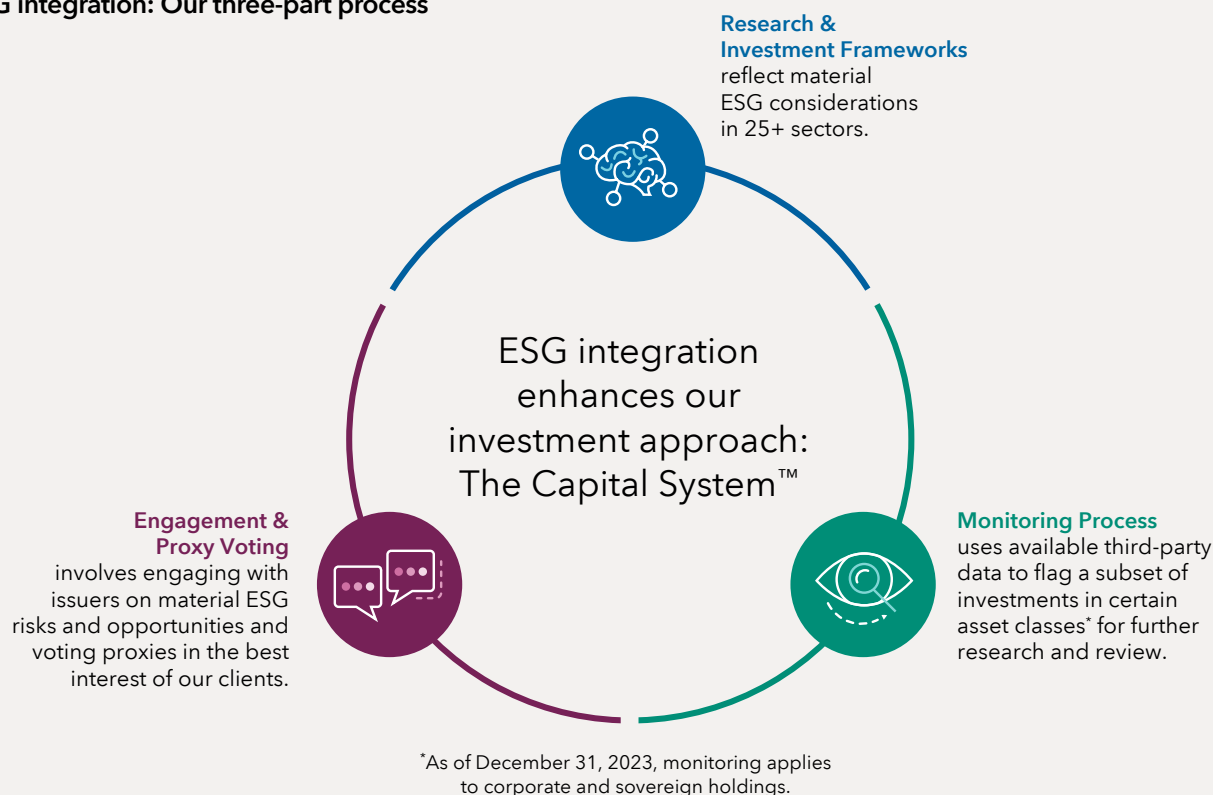
1. ESG philosophy

We believe the analysis of material environmental, social and governance (ESG) issues as part of our fundamental research can help us understand long-term risks and opportunities for investors. ESG issues can unfold over several years or decades, a timeframe that also naturally aligns with our long-term orientation.

Knowing how organizations interact with and impact their communities, customers, suppliers, employees and the environment is critical to understanding their potential as investments. We seek to invest in issuers well-positioned for the future. Our experience and research suggest that many organizations that are most thoughtful about their long-term strategy are working hard to understand how ESG figures in their plans.

At Capital Group, the integration of ESG considerations into the investment process enhances our fundamental bottom-up research, due diligence and engagement efforts and is not a separate “add-on.” Analysts and portfolio managers are responsible for integrating ESG into The Capital System.

ESG integration: Our three-part process



2. ESG integration overview

Evaluating material ESG risks and opportunities is done through mutually reinforcing components.

Research & Investment Frameworks

Our equity and fixed income analysts have – in partnership with our ESG team – developed sector-specific, proprietary ESG investment frameworks. Spanning 29 corporate sectors and three structured products sectors, each framework provides an opportunity for our investment professionals to examine material long-term ESG issues that could affect their investment theses.

The frameworks are reviewed periodically to ensure they remain relevant. Our in-house ESG research supports this process, partnering with investment professionals to examine emerging and evolving ESG topics in depth. ESG research and our corporate Investment Frameworks are also supported by monitoring, engagement and proxy voting.

Monitoring Process

We monitor our equity holdings and corporate and sovereign bond holdings, where data is available. The monitoring process involves reviewing our corporate (equity and fixed-income) and sovereign holdings against third-party data from a range of providers to surface external views of potentially material ESG risks, as well as issuers in violation of international norms. Issuers that do not meet our thresholds are flagged for review by our investment professionals. Additionally, Capital Group's Issuer Oversight Committee (IOC) reviews a subset of issuers presenting elevated ESG-related risks that may affect portfolio holdings.

Engagement & Proxy Voting

- **Engagement:** Engagement helps us to better understand how ESG risks and opportunities are being managed and feeds into our fundamental research process. Our ESG team conducts engagements in collaboration with our investment professionals. We engage management teams on topics that are informed by our research, investment frameworks, voting and monitoring process.
- **Proxy Voting:** We believe that exercising our proxy voting rights for the entities in which we invest is fundamental to fulfilling our obligations to investors. Investment professionals lead our proxy voting, with our in-house Global Stewardship & Engagement (GSE)/Proxy team conducting analysis. Final proxy outcomes are decided by members of our investment units with the aim of maximizing long-term value for our clients.

3. ESG resources

Investment Group: More than 120 portfolio managers and 220 in-house equity and fixed income analysts work to integrate material ESG considerations into their investment decision-making to help generate long-term value. As part of their fundamental investment research, they evaluate ESG-related and other issues that could impact a company's ability to generate long-term returns. Decisions are based on a holistic view of each issuer that incorporates the long-term prospects of the individual entity, as well as the context of markets, industries and geographies in which it operates.

ESG team: Capital Group has a dedicated 45-person ESG team, led by the global head of ESG, that partners with investment professionals on integrating ESG considerations into the investment process. This global team is responsible for driving the implementation of ESG initiatives across Capital Group. Team members have experience in research, issuer engagement, proxy voting and ESG regulations. Within the global team, over 30 specialists are responsible for partnering with the Investment Group in the following ways:

- The 13-person **ESG Research team** partners with the Investment Group to produce thematic and sector-focused research that provides insight into key ESG themes and issues that are material and often under-researched. The team also partners with the Investment Group and the Global Stewardship & Engagement/Proxy team to engage companies on environmental and social issues.
- The 17-person **Global Stewardship & Engagement (GSE)/Proxy team** works alongside the Investment Group in executing our stewardship efforts, including proxy voting activities, as well as engaging on governance or proxy voting-related issues.
- The 3 ESG integration leads serve as dedicated counterparts for portfolio managers, helping to deepen the understanding of material ESG risks and opportunities across portfolios. They also lead in the development of tools to deliver portfolio-level ESG data and insights.

The remaining ESG specialists primarily focus on the building of our proprietary tools and monitoring processes, sourcing third-party data to support assessments of ESG issues, as well as supporting client and regulatory needs, reporting, and ESG content development and thought leadership.

Data and technology: Given the strategic priority of ESG at Capital Group, we have made a significant investment in data and technology to help ensure the Investment Group has access to available traditional and alternative data. Over 20 engineers, data scientists and product developers have built an in-house tool, Ethos, to help enable investment analysts to identify areas of ESG risk and conduct rigorous security-level analysis and peer comparison. We also have invested in the data and technology to enable portfolio managers to view information on ESG risk and opportunities at the fund, portfolio and security levels via portfolio management tools.

4. ESG in-house training

Our ESG team facilitates learning across Capital Group. For our equity and fixed income analysts, these discussions primarily focus on the specific ESG issues that either have investment materiality, whether to specific companies or sectors, or that relate to broad ESG themes. In addition, the ESG team facilitates regular calls with the Investment Group, publishes research internally and shares this on a range of forums, and assists in the onboarding of new hires within the Investment Group. Ahead of the proxy voting season, equity analysts and portfolio managers who are involved in the process receive additional training on governance and proxy issues.

5. ESG governance and support

Capital Group has a robust governance structure in place.

Capital Group Management Committee: The Capital Group Management Committee is responsible for ensuring the effective execution of the organization's overall business strategy. This includes being actively involved in setting Capital Group's mission and vision, formalizing that vision into Capital Group's long-term strategy and providing resources and funding to achieve those outcomes.

ESG Steering Committee: 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 group 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.

Issuer Oversight Committee (IOC): This group reviews issuers that present elevated ESG-related risks that may affect portfolio holdings, with a focus on those that may conflict with existing global standards, including (for corporates) 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 taken appropriate action to remediate any concerns that may present material investment risk. On a regular basis, the committee reviews issuers where outstanding issues remain. The committee comprises senior investment professionals from each of Capital Group's four investment units, and representatives from Legal, ESG Research and Distribution.

Proxy committees: Each equity investment group has its own proxy voting committee, which is made up of investment professionals from that group. The proxy voting committees discuss certain proxy items and exercise final voting authority. They also review voting activity throughout and at the end of the proxy season. Any findings may be considered for future voting guideline updates, which the proxy voting committees approve before they are implemented.

Capital Group Governance and Stewardship Initiative: This group, formed in 2020 and led by a team of nine 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 to help inform our investment decisions, stewardship activities with portfolio investments and proxy guidelines.

Integrating ESG into our investment approach, The Capital System

1. Research & Investment Frameworks

Investment frameworks help our analysts assess ESG data and metrics that they have deemed to be material to develop a proprietary view of ESG risks and opportunities at a sector level. External inputs such as the International Sustainability Standards Board's (ISSB) standards are valuable, but the final framework is based on our proprietary knowledge as well as our analysts' and ESG team's extensive experience. These frameworks also help inform our engagement efforts.

2. Monitoring Process

We monitor our corporate equity, corporate bond and sovereign bond holdings against available data from third-party providers to surface external views of potentially material ESG risks as well as issuers that may be in violation of international norms. Monitoring our investments against third-party data helps us guard against confirmation bias. Our proprietary monitoring methodologies and thresholds use these external data to help us identify instances where our analysis and investment views differ from the market. Issuers that do not meet our thresholds are flagged for further analysis by our investment professionals.

Our in-house ESG research tool, Ethos, alerts the relevant investment professionals to the issues flagged by third parties. The investment professionals are required to resolve these flags in a timely manner. This will involve an assessment of the materiality of the identified flag, its impact on the investment thesis (if any) and an update on any engagement efforts. Responses are housed on Ethos, arranged by issuer, which is accessible to members of the Investment Group and the ESG team. On a quarterly basis, the ESG team leadership conducts a review to assess where further insight and details may be needed. The Issuer Oversight Committee acts as an extension of our monitoring process for areas of elevated ESG risk that may affect portfolio holdings. This complements Capital Group's ESG Monitoring Process to provide an added layer of oversight for a small subset of holdings in complex situations, including violations of international norms, emerging ESG risks and regulatory grey areas. Importantly, our perspectives are built on a long-term view, engagement and detailed analysis – never on monitoring results alone.

Asset class-specific approaches to monitoring: At Capital Group, we recognize that different asset classes require different approaches to ESG integration. Our monitoring process is designed to utilize unique methodologies for different investment universes to help us take a thoughtful approach to ESG. We aim to expand the breadth of our monitoring capabilities to cover as many asset classes as possible, including municipal bonds, in 2024.

Equities and corporate bonds: Our current process for monitoring equities and corporate bonds draws on multiple third-party ESG data providers and flags issuers that present potentially higher ESG risk across any of the five indicators. These indicators include materially lower ESG performance relative to peers, heightened governance risk and potential violations of international norms via the UN Global Compact and OECD guidelines.

Sovereign bonds: Our monitoring process for sovereign bonds draws on raw scores from three data sources – the Notre Dame Global Adaptation Initiative climate vulnerability index (environmental), UN Human Development Index (social) and World Bank's Worldwide Governance Indicators (governance) – to monitor and flag holdings across the sovereign universe. We measure the raw ESG score for each country on a weighted basis in which governance factors outweigh environmental and social factors. This weighting reflects the relative materiality of E, S and G risks according to our sovereign analysts' views. This is supported by academic research that shows that governance scores, followed by social and environmental indicators, have been most highly correlated to credit outcomes of sovereign bonds.

Issuers are evaluated on (1) an absolute basis as well as (2) a gross national income-adjusted basis to better understand how well a country manages ESG risk relative to their wealth and available resources. Issuers with the lowest scores in either categories are flagged for additional analyst review.

3. Engagement

We believe our detailed, hands-on, case-by-case approach to engagement serves an especially important role. By engaging with companies on important issues, we seek to better understand potential risks to our investments and gain a better understanding of management teams, as well as their values, strategies and stances on key issues. We generally encourage disclosure on matters that we believe can impact the company's ability to generate long-term returns, and we share best practices observed in a given sector that may be relevant to the company. We share industry best practices to help sustain and grow the investments for which we are responsible.

We will generally engage in direct dialogue with the companies privately. We believe this is a more effective and constructive approach to understanding how companies and issuers are managing material ESG risks and opportunities.

4. Proxy Voting

Our process is designed to benefit from multiple decision-makers whose collective experience brings a breadth of knowledge to specific proxy voting issues. We have an investment professional-led voting process with voting decisions made independently by each of the three separate equity investment groups based on what they believe are the long-term interests of our clients.

Proxy analysis is first conducted by the GSE/Proxy team, in accordance with [our voting guidelines](#). These voting guidelines comprise a blend of over-arching governance principles, which have global applicability, supplemented by more detailed regional voting guidance aligned with local market regulation in the Americas, Europe, Middle East and Africa (EMEA) and Asia-Pacific. We also conduct company-specific analysis as part of our proxy research process. Once completed, this research is shared with one or more of the group's investment analysts familiar with the company to come to a recommendation. If there is disagreement, a second opinion can be provided by a proxy coordinator (an investment analyst or another individual with experience in corporate governance and proxy voting matters) within the appropriate investment group.

All voting recommendations are subject to the final voting decisions of the proxy committee in the applicable investment unit. Proxy committees have oversight of voting activity in their respective investment unit and approve the guidelines.

Capital Group commitments and industry initiatives

1. Signatory agreements

Capital Group supports a 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 are consistent with the PRI, to which we report annually for compliance.

International Sustainability Standards Board (ISSB): Capital Group has long been supporters of both the Sustainability Accounting Standards Board (SASB) Standards and the Task Force on Climate-related Financial Disclosures (TCFD), which have both been merged into ISSB, a subsidiary of the International Financial Reporting Standards (IFRS) Foundation. We encourage disclosure of material ESG risks and opportunities faced by portfolio companies and recognize the compliance and operational burdens that companies face in navigating different reporting regimes. As such, as a baseline, we welcome and encourage disclosure aligned to the ISSB Standards, subject to a company's judgement on which elements of the standards are material to their business. To learn more about our approach, please refer to our most recent [TCFD report](#) on our website.

Net Zero Asset Managers initiative (NZAMI), part of the Glasgow Financial Alliance for Net Zero (GFANZ): In June 2022, Capital Group joined the Net Zero Asset Managers initiative, a consortium of asset managers around the world who seek to understand how companies are responding to the implication of the Paris Agreement, an international treaty on climate change.

UN Global Compact (UNGC) and the Sustainable Development Goals (SDGs): In June 2021, Capital Group became a participant of the UNGC. These goals have become widely adopted by companies (including asset managers) worldwide. We also support the UN SDGs through our business practices. Please refer to our most recent [Sustainability and DE&I report](#) 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.

- UK Stewardship Code (signed 2010):
[https://www.capitalgroup.com/content/dam/cgc/tenants/eacg/esg/files/uk-stewardship-report\(en\).pdf](https://www.capitalgroup.com/content/dam/cgc/tenants/eacg/esg/files/uk-stewardship-report(en).pdf)
- Japan Stewardship Code (signed 2014):
<https://www.capitalgroup.com/advisor/jp/ja/stewardshipcode.html>
- Hong Kong Stewardship Code (signed 2019):
<https://www.capitalgroup.com/institutions/hk/en/investments/esg.html>

2. Industry initiatives

We are members and active participants in the following organizations and initiatives, and we contribute by speaking at and attending events and participating in working groups. We also engage in dialogues with standard setters such as the International Financial Reporting Standards (IFRS) Foundation and Financial Services Agency to improve accounting transparency. We also respond to consultations and engage with regulators and policymakers on key policy proposals, whether directly or through trade associations.

Important note: The following table includes a selection of the groups with which Capital Group is involved – it is not an exhaustive list.

Organization name	Function	Capital Group involvement
International Financial Reporting Standards (IFRS) Foundation	<p>The foundation is a not-for-profit, public interest organization established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards.</p> <p>The standards are developed by the foundation's two standard-setting boards, the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB).</p>	Capital Group is a Sustainability Alliance-tier member, as well as a member of the ISSB Investor Advisory Group, which comprises a diverse grouping of major global investors who recognize the need for consistent, comparable and reliable disclosure of material and decision-useful ESG information.
Asian Corporate Governance Association (ACGA)	An independent nonprofit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.	Steven Watson, portfolio manager at Capital Group, is chair of the ACGA.
Council of Institutional Investors (CII)	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.	Capital Group is one of the CII's associate members.
The Investor Forum (UK)	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.	Capital Group is a founding member of the Investor Forum; Jessica Ground, Global Head of ESG at Capital Group, serves on the board.
Eumedion Corporate Governance Forum	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.	Capital Group is a part of Eumedion's investment committee.
Investor Stewardship Group (ISG)	An investor-led effort to establish a framework of basic investment stewardship and corporate governance standards for U.S. institutional investor and boardroom conduct.	Capital Group is a member of the Governance Advisory Council.
Canadian Coalition for Good Governance (CCGG)	A corporate governance organization that promotes the interests of institutional investors and promotes good governance practices in Canadian public companies.	Capital Group is a member of the CCGG.

Please refer to our website for the full list of our signatories and memberships:
<https://www.capitalgroup.com/institutional/policies-and-disclosures.html>

Outlook on specific ESG issues

1. 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 has already led to significant policy action to decarbonize economies.

We support the TCFD, a set of recommendations for consistent climate-related financial disclosures by organizations that provide information to investors. We encourage many of the companies and issuers in which we invest to report against this framework. To find out more about our approach, please refer to our most recent [TCFD report](#) on our website.

Where relevant, climate change analysis is incorporated into our fundamental research where it forms a part of the investment analysis, due diligence process and engagement efforts. Our long-term perspective, a core part of The Capital System, fits naturally with the time horizons associated with the risks and opportunities presented by the energy transition.

Our proprietary investment frameworks help us evaluate the materiality of climate change and its consequences for each sector, as well as provide a mechanism for assessing potentially higher risk industries or companies.

Our investment frameworks also help inform our engagement process and enable us to have even more meaningful dialogue with organizations on relevant climate risks and opportunities. For example, we might suggest that organizations provide further details on their climate strategy or share industry best practices relating to emission-reduction plans or oversight of material climate-related issues. Climate risks are also assessed as part of our monitoring process.

For institutional clients we also provide, upon request, fund-level carbon footprint reports, which indicate a fund's emissions and its exposure to carbon-intensive industries.

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 about 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 where water is materially relevant, to help ensure that we are monitoring and engaging on it appropriately.

C. Biodiversity and 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 69% in species' populations between 1970 and 2018,* 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 companies 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 regulatory standards to maintain their license to operate. Our monitoring process identifies companies that have been implicated in environmental degradation – including violations on emissions, waste disposal or involvement in illegal deforestation either directly or in their supply chain. Our investment frameworks and data insights help us to assess and analyze sector and company impacts on land and water degradation, as well as companies' relative dependency on nature for their ongoing business.

2. Social

D. Human rights, labor rights and 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 protocols' prohibition of all forms of human trafficking, modern-day slavery and forced labor. We believe that it is important for our portfolio holdings to uphold these fundamental standards in their own operations and throughout their supply chains to maintain their license to operate.

In our firmwide ESG monitoring and engagement programs, we seek to ensure that analysts are aware of potential material violations of human rights and labor rights and are engaging with issuers on relevant topics. We leverage the UN Global Compact and OECD Guidelines as an overarching framework for corporate and credit issuers; issuers flagged for violations of these frameworks receive a higher level of scrutiny to understand how such businesses are preventing, mitigating, and remediating human rights issues. Additionally, we recognize that while such issues are critical for 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.

*World Wildlife Fund, Living Planet Report 2020.

E. Diversity, equity and inclusion (DE&I)

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. For example, many organizations are adapting and evolving their diversity and nondiscrimination policies in relation to LGBTQ+ people.

We see it as consistent with our fiduciary duty as shareholders to understand an organization's approach to DE&I, and we will engage with organizations on the topic where there is an opportunity for improvement. We track company performance on DE&I through our proprietary platform, Ethos.

Workforce diversity: A rich body of research indicates that a workforce with diverse personal and professional experiences fosters diverse perspectives, which contribute 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 companies and issuers to have diversity on the board consistent with local-market best practices.

Disclosure: We encourage companies 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 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 and corruption

Over the years, Capital Group has earned a reputation for operating at the highest level of integrity. In our efforts to help ensure that our own interests are never placed ahead of the interests of our clients, Capital Group has a Code of Ethics. 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, to help ensure that companies and issuers are pursuing appropriate remedial action, and our investment frameworks help to track company policies and identify controversies. We also monitor corruption indicators and the strength of the rule of law among sovereign issuers, flagging those that may present outsized risk and require further diligence.

G. Oppressive regimes

These are commonly associated with systemic 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, along with fundamental research, 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 His 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 fines and a loss of market share. 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

Supply chains have become increasingly complex as companies balance both outsourcing and reshoring. As well as potentially touching several countries, the ultimate supplier of a product or service may be several layers deep, which can create both risk and diversification. Increasingly, regulations in areas like deforestation 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, investment frameworks and engagements with companies.

3. Governance

Focusing on long-term value drives successful investment outcomes. This requires a sustainable business model – including a long-term strategy, leadership that instills confidence, and transparency and accountability – which can generate value for stakeholders.

As part of our fiduciary duty as an asset manager and as a responsible steward of capital, we engage in regular dialogue with companies on corporate governance issues and exercise our proxy voting rights for the entities in which we invest.

We expect companies to recognize the need for constructive relationships with those stakeholders that are most important to the company's specific business – whether it is the workforce, suppliers, customers, regulators and policymakers, or others in the communities and the environment in which the company operates. Companies that understand how stakeholder relationships affect their reputation are better equipped to create long-term value. We expect the board to set the tone at the top and provide effective independent oversight.

Information on our corporate governance principles can be found in our proxy voting procedures and principles linked on page 18 of this document.

Other considerations

1. Conflicts of interest

The GSE/Proxy team coordinates and reviews proxy voting matters for securities owned by the funds and client accounts.

Capital Group has developed procedures to identify and address potential conflicts of interest with respect to proxy votes. Each equity investment division has established a Special Review Committee ("SRC") of senior investment professionals and legal and compliance professionals with oversight of potentially conflicted matters. If potential conflicts are identified, according to the aforementioned procedures, the SRC will take appropriate steps to address them, which may include engaging an independent third party to review the proxy, using Capital Group's Proxy Voting Procedures and Principles, and provide an independent voting recommendation to the investment adviser for vote execution.

2. 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 goal, and 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 client objectives, both of which focus on the long term.

3. 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 GSE/Proxy team identifies and recalls shares on a case-by-case basis to vote on material items. These include mergers and acquisitions, environmental and social shareholder proposals, executive compensation, contested meetings or activist involvement. When lending securities, Capital Group retains a portion of a holding in order to register a vote on all proxies.

4. 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 specific voting instructions in segregated accounts.

5. SPACs and de-SPACs

Special Purchase Acquisition Companies (SPACs) are publicly traded companies created for the purpose of acquiring or merging with an existing privately held company. A de-SPAC is the process of a SPAC merging with or acquiring a private company.

SPACs carry specific risks associated with the speed in which the entities become operating companies. We believe that these risks may be mitigated when such companies follow these best practices on a "comply or explain" basis as part of the de-SPAC eligibility and negotiation process:

- Adopt an independent board leadership structure
- Implement a fully independent and expert audit committee
- Provide for board diversity

6. Transparency

The proxy voting procedures and principles applied by each of the entities listed below can be found [here](#).

- a. Capital Bank and Trust Company
- b. Capital Group Investment Management Pte. Ltd.
- c. Capital Group Private Client Services, Inc.
- d. Capital International, Inc.
- e. Capital International Asset Management (Canada), Inc.
- f. Capital International K.K.
- g. Capital International Limited
- h. Capital International Management Company Sàrl
- i. Capital International Sàrl
- j. Capital Research and Management Company

Capital Research and Management Company (CRMC) U.S. mutual funds and ETFs: We disclose how we voted (for, against or abstain) for all issuers held in the American Funds® and ETFs managed by CRMC 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 fund's portfolio managed by CRMC are available here, within the Policies FAQs: <https://www.capitalgroup.com/individual/policies-faq.html>

Capital International Limited (CIL) and Capital International Management Company Sàrl (CIMC) managed accounts and Capital Group Luxembourg Funds: We disclose how we vote (for, against or abstain) 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: <https://www.capitalgroup.com/intermediaries/gb/en/about/proxy-voting.html>

Capital Bank and Trust Company (CB&T), Capital Group Private Client Services, Inc. (CGPCS) and Capital International, Inc. (CII) funds and accounts: Upon client request, for each of CB&T, CGPCS and CII, we will provide reports of proxy voting records (for, against or abstain) in relation to the securities held in the funds and/or accounts for which such entity has proxy voting authority.

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In the event of a material difference between the regional guidance and our [Proxy Voting Procedures and Principles](#), the latter shall prevail.

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