

ESG at Capital Group

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**We integrate
environmental,
social and governance
(ESG) issues into our
investing approach.**



“ We have always sought to invest in firms well-positioned for the future. We believe that a company or issuer taking a thoughtful and robust approach to ESG dimensions is a positive indicator of sustainability and strategic thinking.”



Robert W. Lovelace
Vice Chairman and
President of
The Capital Group
Companies, Inc.

Our long-term investing approach considers ESG risks and opportunities

At Capital Group, ESG risks and opportunities are deeply woven into our investment process – The Capital SystemSM. In fact, these issues are so crucial that we've developed a three-component approach that integrates ESG into our investment process.

Deep research is the foundation of our process. Our experienced investment analysts identify the ESG issues they believe are most material to the sectors they cover to create our proprietary ESG investment frameworks.

Our ESG integration process also enables us to assess holdings against third-party views and data through our monitoring process. This information has value, but its scope can be limited by its backward-looking approach. Our systematic process enables us to understand how the market may view ESG risks and more clearly identify where and why we have a different perspective.

Through engagement, we develop longstanding relationships with management teams who appreciate our knowledge of specific industries and our commitment to ESG issues. We believe engaging with companies and issuers is more effective for improving long-term results as we work to positively influence ESG practices. A crucial part of this work, proxy voting is integral to our investment stewardship process. And our investment professionals are directly involved in determining our proxy votes with oversight from senior investors.

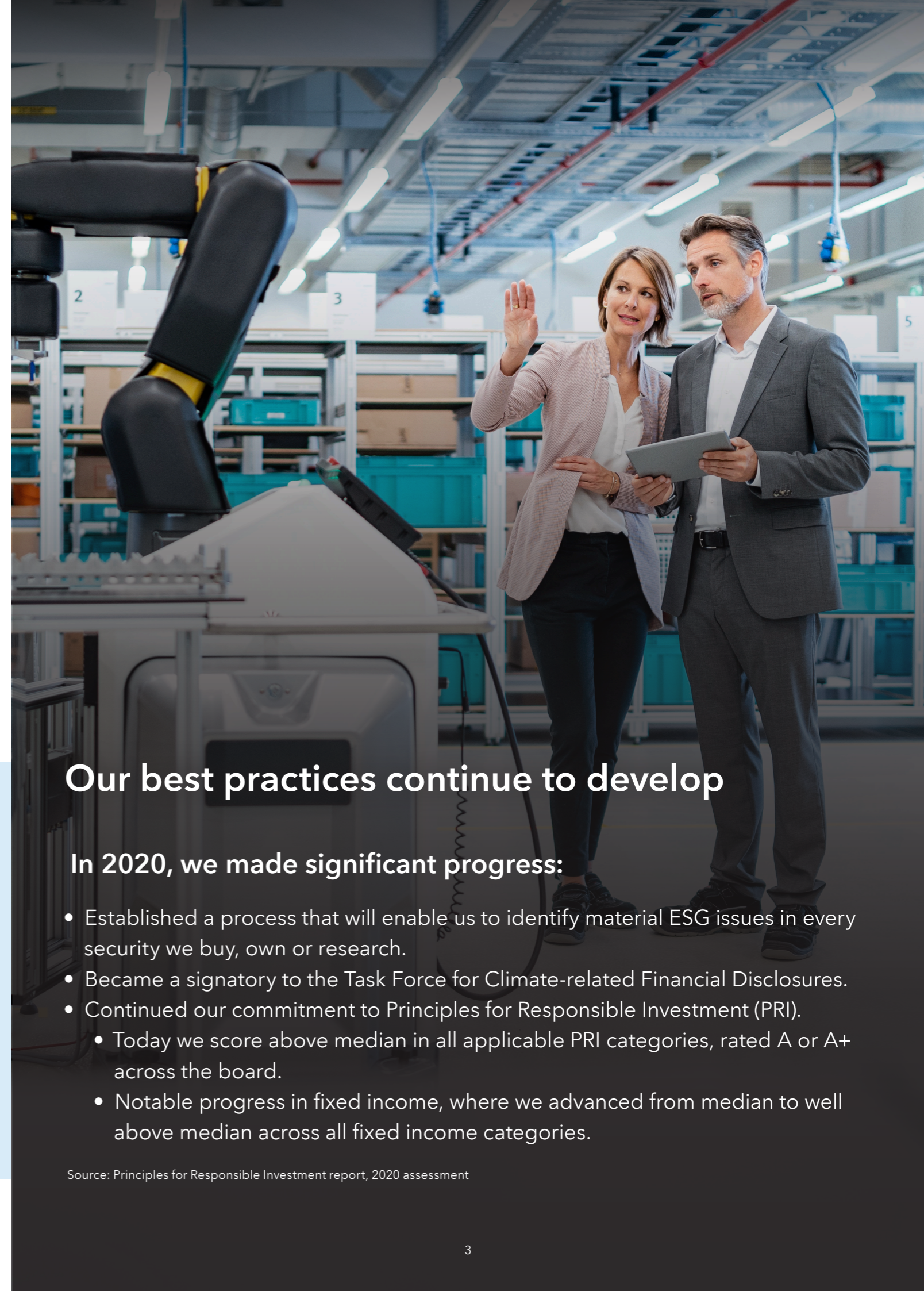
We continue to refine and evolve our ESG investing approach. It's a journey that will grow to include associates from across our organisation, as we back up our commitment with dedicated resources.

We are incorporating ESG data into our investment frameworks, monitoring process and engagement and proxy voting.



Jessica Ground
Global Head of ESG

"At Capital Group, our commitment to fundamental research includes building a deep understanding of each investment's exposure to – as well as management and governance of – environmental and social challenges."



Our best practices continue to develop

In 2020, we made significant progress:

- Established a process that will enable us to identify material ESG issues in every security we buy, own or research.
- Became a signatory to the Task Force for Climate-related Financial Disclosures.
- Continued our commitment to Principles for Responsible Investment (PRI).
 - Today we score above median in all applicable PRI categories, rated A or A+ across the board.
 - Notable progress in fixed income, where we advanced from median to well above median across all fixed income categories.

Source: Principles for Responsible Investment report, 2020 assessment

Meet the ESG Oversight Group

ESG is a strategic priority for Capital Group, and the resources we have dedicated to it reflect this commitment.



Alan Berro
Los Angeles
30 years at Capital Group
Portfolio Manager
Chair - ESG
Strategy Group



Jessica Ground
London
<1 year at Capital Group
Global Head of ESG



Heather Lord
Los Angeles
5 years at Capital Group
Global Head of Strategy & Innovation,
SVP ESG



Walt Burkley
Los Angeles
21 years at Capital Group
Senior Counsel



Guy Henriques
London
1 year at Capital Group
Head of Europe and Asia Distribution



Rob Lovelace
Los Angeles
35 years at Capital Group
Portfolio Manager
Vice Chairman & President of The Capital Group Companies, Inc.,
Chairman of Capital Group Management Committee



Riley Etheridge
Los Angeles
3 years at Capital Group
President - Wealth Management Group



Jody Jonsson
Los Angeles
30 years at Capital Group
Portfolio Manager
President of Capital Research and Management Company. Member of Capital Group Management Committee



David Polak
New York
15 years at Capital Group
Investment Director



Hamish Forsyth
London
28 years at Capital Group
President - Europe & Asia, Capital Group Companies Global



Tom Lloyd
Los Angeles
17 years at Capital Group
Research Director for Quantitative Research and Analytics



Caroline Randall
London
15 years at Capital Group
Portfolio Manager, Member of Capital Group Management Committee

We are deeply committed to ESG and have dedicated significant resources

Research

More than 4,000 hours of combined investment and ESG analyst time went into developing proprietary ESG research in 2020.

Stewardship

17 specialists dedicated to governance and proxy issues engaged with more than 400 companies specifically on ESG topics in 2020.

Technology

More than 14 engineers and product developers across Capital Group are building systems to support our ESG process.

One strategy incorporates three key elements

At Capital, we are ensuring that ESG is integrated across Capital's investment strategies, rather than building separate ESG products. Consideration of ESG risks and opportunities is deeply woven into The Capital System and factored into

our fundamental research, due diligence and engagement. Our investment process includes a systematic, three-component approach to ESG integration.

Investment frameworks

Sector specialists identify the most important ESG issues to consider.



Monitoring process

Multilayered monitoring identifies issues that prompt analysts to dig deeper and provide insight.



Investments are repeatedly reviewed, and the continuous cycle deepens our knowledge.

Engagement & proxy voting

Engagement and proxy voting enable us to influence ESG practices.



Investment frameworks



Approximately 200 investment analysts across our equity and fixed income investment groups participated in creating our sector-specific views of ESG and developing our ESG research process. In all, we spent nearly 4,000 hours integrating their perspectives to create more than 30 industry-specific ESG investment frameworks.

With an average 14 years of tenure, these analysts understand the specific challenges of the industries they cover; they know the right questions to ask and can go beyond third-party sources. Leveraging their significant experience, our analysts identify the

ESG issues they think are most likely to be material, decide how those issues may impact companies and issuers financially, and determine how to measure and integrate those concerns into our investment process.

With the increased interest in ESG-focused investing, there are myriad ESG ratings and scores available. While there is no shortage of information today, it's important to understand the limits of third-party data. Our proprietary frameworks enable us to evaluate external data and cut through the noise to focus on what we believe is most material.



30+

Investment frameworks



200+

Equity and fixed income analysts



14

Years of average analyst tenure

As at 31 December 2020

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



Monitoring process



As we integrate our approach, our goal is to continuously monitor holdings across all our portfolios to identify investments that may require an elevated level of review and discussion. Within our single ESG data repository, we aggregate multiple third-party rankings and risk methodologies, including a UN Global Compact assessment, ratings from MSCI and Sustainalytics, as well as other proprietary and third-party sources. Then we integrate our own deep research, driven by our proprietary frameworks.

This process creates a set of flagged holdings – securities that receive an elevated level of scrutiny and continuous research to evaluate risk. On average, 5–12% of holdings are flagged within each portfolio or strategy. In each case, the analyst or portfolio manager provides more detailed insights and guidance on the particular holding, enabling our investment professionals to focus

their attention on material concerns. In some cases, our analysts may disagree with outside sources.

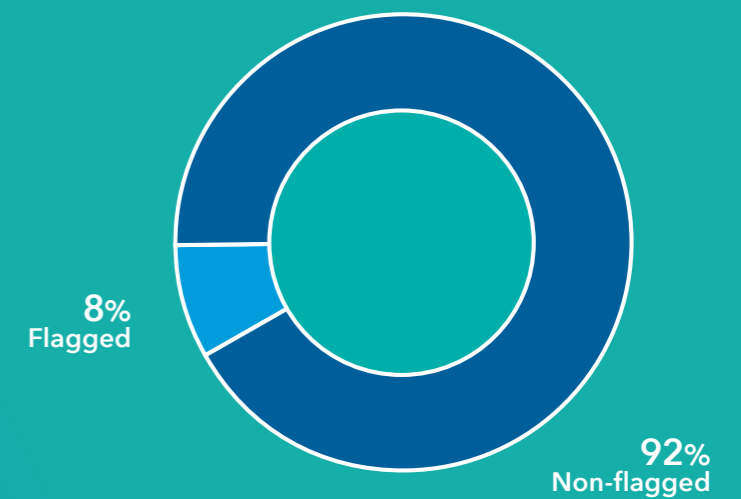
Deeper analysis of these flagged securities includes multiple meetings with management teams to discuss specific concerns. Ongoing engagement actions and learnings are documented in our database, to inform investment decisions. This process is continually refined as we learn from our fundamental research, frameworks and ongoing engagement.

Our Issuer Oversight Committee (IOC) reviews companies and issuers with outstanding significant ESG-related controversies. The committee's quarterly meetings include Principal Investment Officers from each of Capital Group's four investment units, and representatives from our Legal, ESG Research and Distribution teams.

A view of one of our global equity strategies

Portfolio holdings are subjected to ESG screens using multiple leading data providers and risk methodologies, including a UN Global Compact assessment, as well as ratings from MSCI and Sustainalytics.

Twenty-five of those holdings, or about 8%, were flagged. These holdings are monitored by analysts, meaning they require a heightened level of research and engagement.



For illustrative purposes only.
Data as at 31 December 2020



Engagement & proxy voting

We believe that continuing dialogue and remaining closely engaged with management can have a positive impact on ESG policies, which can also deliver better long-term investment results. We've seen engagement make a difference and believe it's a more effective approach than simple divestment.

Our investment frameworks enable our investment professionals to focus their discussions on the highest priority issues. We believe our scale and longstanding relationships can position us well to influence policies and priorities, which gives us an opportunity to positively shape and lead industry standards. We document the goals we discuss and measure progress to ensure accountability.

Proxy voting is an integral part of our investment stewardship process, and we carefully analyse our votes to adhere to our guidelines. When we feel it is in the best long-term interests of our investors, we will vote against management.

While ongoing engagement is a crucial part of our approach, we can choose – and have sometimes chosen – to walk away. As a large active manager, we can act on our findings by increasing or decreasing the assets we invest. Our ultimate goal, after all, is to pursue long-term success for our investors.



17

specialists dedicated to governance and proxy issues.



1,850+

shareholder meetings at which we voted keep us engaged and influential on behalf of our investors.



20,000+

annual meetings can provide powerful leverage with management teams.

Data as at 31 December 2020



We believe ESG is integral to successful investing. We are systematically incorporating these issues into our investment approach.

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