Version 06/2024

Sustainable Finance Disclosure Regulation Disclosures

This document relates to the implementation of the EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").

More information on ESG at Capital Group can be found in the ESG Policy Statement available on www.capitalgroup.com

For product-level sustainability-related disclosures please refer to the website or Capital International Fund prospectus.

This document is meant to be revised as necessary from time to time to capture any changes or reviews.

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1. Consideration by Capital International Management Company of principal adverse impacts of investment decisions on sustainability factors

1.1 Summary

This statement outlines Capital International Management Company's and Capital International Sàrl's (hereby referred to as "Capital Group") due diligence policies on principal adverse impacts of investment decisions on sustainability factors. This statement is applicable to Capital International Management Company, and to Capital International Sàrl, where applicable and strictly in the context of the relevant services provided by that company.

Our investment philosophy centres on taking a long-term view and providing stability and management continuity to our investors. Capital Group's investment professionals seek to identify assets that can deliver long-term results for our clients. By using fundamental analysis, paying close attention to valuations and integrating sustainability issues, which tend by nature to materialise over the long term, we turn our in-depth research into investment decisions.

We assess environment, social and governance (ESG) issues, alongside financial and other business metrics, as crucial inputs into our investment decision-making process. Our assessment process is consistent across each investment decision. To integrate sustainability issues and identify principal adverse impacts into our investment process, our equity and fixed income investment analysts have developed over thirty sector specific, proprietary ESG investment frameworks. To monitor and evaluate issuers' progress, each framework includes a range of sustainability metrics which include principal adverse impacts. These frameworks help our investment professionals analyse the most relevant long-term sustainability issues that affect the companies they are researching, helping to isolate the topics that are material to an investment decision.

To complement the work of our investment analysts, our ESG team applies an ESG monitoring process across our corporate and sovereign portfolios. We leverage guidelines from the Organization for Economic Cooperation and Development (OECD) and United Nations Global Compact (UNGC), third party ESG data and proprietary data as an overarching framework to identify and assess principal adverse impacts for corporate issuers. We draw on asset-class specific human rights flags in other fixed income asset classes, including sovereigns. This process helps flag possible adverse impacts created by investments for which we can apply greater scrutiny. We escalate any holdings that violate the UNGC and OECD standards to our Issuer Oversight Committee, and representatives from Legal, ESG Research and Distribution. The committee determines if the issuer has taken appropriate action to remediate the concerns. Ultimately, the committee has the ability to determine if the issuer is ineligible for investment across Capital Group.

Our investment frameworks also inform the topics on which we engage company management teams. Engagements are prioritised where we believe we can make real differences on material issues. The prioritisation process and subsequent engagements are undertaken with the involvement of investment analysts to help ensure our investment views and engagement messaging are consistent.

Engagements have clear goals, which are documented, and progress is tracked over time. Although as an active fund manager we invest in companies whose management we support, we will escalate our engagement activity and/or vote against management if we feel it is appropriate. Ultimately, we will divest if we believe engagement is not producing the outcomes necessary to create and sustain long-term value.

1.2 Description of Principal Adverse Impacts

Anti-corruption and anti-bribery

We acknowledge the UN's Convention against corruption, and its approach on prevention and punishment. We expect companies to have robust processes in place to prevent bribery and corruption. For equities and corporate bonds, the UNGC and other third-party data sources enables us to flag to issuers where standards have fallen short and engage to help ensure that companies and/or issuers are taking appropriate remedial action. Analysts use a range of metrics and considerations including governance practices, records of violations and prosecutions and company disclosure to assess these risks. We also monitor corruption metrics and the strength of rule of law among sovereign issuers, flagging issuers that may present excessive risk and require further diligence.

Greenhouse gas emissions & energy performance

We believe the impacts of climate change are broad, creating risks and opportunities across and within sectors. To monitor climate-related risks at a strategy and company level, we use third party data providers.

Our investors will look to understand a company's scope 1 & 2 emissions and associated energy use to assess operational efficiency, making comparisons as appropriate with other companies especially within sectors to understand what best practice is. Our analysts will also examine scope 3 emissions with a focus on those companies where these are the largest source of emissions. This work helps us to understand who is vulnerable to transition risk and informs how we engage on this topic.

Human rights

Capital Group acknowledges the Universal Declaration of Human Rights, and the Palermo Protocol's prohibition of all forms of human trafficking, modern day slavery, and forced labour. We expect our portfolio companies to uphold these fundamental standards in their own operations and throughout their supply chains. As such, we have incorporated them into our investment processes and our ESG policy.

We leverage the UN Global Compact as an overarching framework for corporate issuers and draw on asset-class specific human rights flags in other fixed income asset classes, including issuers. As part of our investment process our analysts also look at supply chain audits and raw materials traceability. We recognise that while such issues are critical for all investments, risks of violation are higher in some industries and geographies.

Social and employee matters

Our analysts consider a company's corporate culture, including human capital practices, in their due diligence process before investing in the company. A company may lose their license to operate due to workplace controversies, poor safety records or labour law violations. We assess metrics such as employee compensation and turnover. We encourage the companies we invest in to highlight initiatives designed to enhance and measure progress in employee engagement, recognising that it may not be easily quantifiable. We use third party data and international standards from the UNGC and OECD to identify controversies relating to labour issues. A growing body of evidence suggests that diverse teams improve financial outcomes and support innovation, resiliency, and productivity. We see it as consistent with our fiduciary duty as shareholders to understand a company's approach to racial equity and diversity, and we will engage with companies on the topic where there is an opportunity for improvement.

Waste, water and biodiversity

Our monitoring process identifies companies that have been implicated in environmental degradation. We use third party data, including the United Nations Global Compact (UNGC) principles, to monitor environmental responsibility. This captures violations on waste disposal and deforestation, either directly or in a company's supply chain. We engage with those involved to help ensure they are taking the appropriate remedial action and policies are in place to prevent repeat events.

Supply and demand side pressure means that water scarcity is a growing challenge for companies as they work with communities to maintain their licenses to operate. As a result, water stress has financial implications, particularly in metals and mining, agriculture, electric power, and food and beverage industries. The impact is felt across asset classes, with water scarcity and quality potentially affecting the creditworthiness of countries, states and municipalities. Our investment frameworks have identified water withdrawal, waste disposal and biodiversity considerations as material issues which we seek to monitor and engage on appropriately.

Additional details on our policies for these considerations are available in our ESG policy statement.

1.3 Description of Policies to Identify and Prioritise Principal Adverse Impacts

The ESG Oversight Group sets the strategic direction for our ESG policies and oversees the integration of ESG issues into our investment processes. The committee is made up of a subset of the Capital Group Management Committee, the board of The Capital Group Companies, Inc., our Global Head of ESG and several senior leaders from across our business groups. The Oversight Group reports directly to the Capital Group Management Committee. Principle adverse impact considerations and relevant disclosures also fall in the remit of this Group's activities.

We have a distinctive way of managing money called The Capital System™. It's about incorporating the highest conviction investment ideas of multiple managers with different investing styles and complementary strengths into a single fund or client account. Our analysts evaluate companies' management structures, financial strength, resources, products and services, business practices, future earnings along with a wide range of additional relevant sustainability issues. This deep analysis is crucial to identifying investment opportunities along with consideration of ESG issues which is pivotal to forming an investment thesis around an issuer's material and long-term potential.

To systematically capture sustainability issues into The Capital System™, our equity and fixed income investment analysts have developed over thirty sector specific, proprietary ESG investment frameworks. These frameworks allow for an approach that accounts for the nuances of sustainability risks for each industry, as well as providing a mechanism to identify high risk issuers. To monitor and evaluate progress, each framework assesses a range of sustainability metrics, including principal adverse impacts.

In addition to our investment frameworks, we apply an ESG monitoring process across corporate and sovereign portfolios to systematically identify potentially material sustainability issues. We use available third-party data from ESG data providers and alternative data which we combine with our own proprietary research.

We believe in the value of sector and asset class specific methodologies and data. For equities and corporate bond funds, our monitoring processes use MSCI and Sustainalytics scores and controversies lists to identify investments that may require an elevated level of analysis. We pay particular attention when issuers are flagged across multiple indicators and 3rd party scores or when UNGC or OECD business principles have been violated. In our mind this indicates a heightened risk that an investment is generating a significant adverse impact.

To monitor sovereign bonds, we draw on three external data sources including the Notre Dame Climate Adaptation Initiative, the UN Human Development Index and the World Bank's Worldwide Governance Indicators. Using raw data from these scores, we have developed quantitative scores for each sovereign issuer in our investable universe across ESG issues such as climate preparedness (E), life expectancy (S), and civil and political freedoms (G). This approach was adopted to help ensure that we consider a range of sustainability issues. As highlighted in the below table, we use other asset class specific data sources to continue to systematically monitor our other holdings.

Asset Classes	Data Sources
Equities & Corporate Bonds	MSCI & Sustainalytics
Sovereign Bonds	Notre Dame Climate Adaptation Index, UN Human Development Index, World Bank Worldwide Governance Indicators

Our monitoring process may identify significant principal adverse impacts. In these cases, an issuer may be brought forward to our Issuer Oversight Committee. This group monitors, among other things, Capital Group holdings in relation to existing global standards, including guidelines from the United Nations Global Compact and the Organization for Economic Cooperation and Development. The committee determines if an issuer has violated these standards and if the issuer has taken appropriate action to remediate the concerns. Ultimately, the committee has the ability to determine if the issuer is ineligible for investment across Capital Group.

Capital Group invests in over 4,000 equities and fixed income securities. In order to acquire the relevant information, we will partner with third party data providers to leverage their data gathering and expertise. As part of this process we will seek to understand any assumptions used in their calculations and methodologies. This will allow us to form an educated assessment prior to reporting on our principal adverse impacts. We complement this data with information acquired directly from companies via our engagement.

1.4 Actions to Address Principal Adverse Impacts

As an active fund manager, we invest in issuers that we believe could create long-term value for our clients. This means that there are issuers that we do not hold in any of our funds, because of our assessment of the PAIs around them and how they will impact long-term value.

In our role as an active investor, we held over 201,000 corporate engagements in the past year. When we identify material sustainability issues, we engage directly with company management. A company's response provides insight into their understanding of the issue and the steps they are taking to mitigate the risks we identified. As part of this process, we encourage corporates to align their reporting to TCFD, SASB and international norms around Diversity & Inclusion. In this context, engagement forms an important element of our ESG integration strategy, as it allows us to assess the company's understanding of adverse impacts and their severity, as well as the level and quality of actions taken to address them and help ensure long-term value.

We will engage with issuers differently depending on the issuer's performance against our investment frameworks and their exposures to different sustainability issues. While we may choose to have a holistic conversation with an issuer on a range of sustainability issues, we also may pursue conversations on specific principal adverse impacts when appropriate. Additionally, in order to have a more structured approach to engagement, we have identified a selection of thematic priorities. This enables us to have defined conversations with the companies we engage with, share best practices on this topic, and evaluate issuers' progress on these priorities.

1.5 Our Engagement Policy

Establishing dialogue with companies is an integral part of our investment management service to clients. Capital Group's investment teams meet on a regular basis with company management, including executive and non-executive directors, chairs and finance directors. This enables us to engage and generate dialogue on any issues that could affect the company's long-term prospects, including exposures to sustainability issues. Where our investment teams identify an issue material to the long-term value of a company or they are concerned about relative ESG performance, our investment professionals and governance teams will engage with management.

The understanding of these issues, as well as management's response and the steps they take to minimise any associated risks, forms an important part of our assessment of management quality, which itself is a key factor in our stock selection decisions.

1.6 Adherence to International Standards

Capital Group has been a signatory to the Principles for Responsible Investment (PRI) since 2010. We believe that our integration and engagement approach is consistent with the PRI, to which we report annually for compliance. As discussed above, we are also currently using the UNGC Principles to monitor the equities and corporate bonds we hold. We are also in the process of implementing the standards set out in the OECD Guidelines for Multinational Enterprises as part of our monitoring process.

We are proud to support the Task Force on Climate-related Financial Disclosures and encourage the companies we invest in to report against this framework. More information on Capital Group's support and contribution to various ESG industry associations and initiatives sustainability-related initiatives can be found in our ESG Policy Statement.

2. Transparency of sustainability risk policies

Pursuant to the SFDR, Capital International Management Company and Capital International Sàrl are required to disclose the manner in which sustainability risks are integrated into their investment decisions.

"Sustainability risks" refer to events associated with environmental, social or governance issues that, if they were to occur, could have a negative impact on the value of the investments made by the funds advised by Capital International Management Company. Corporate governance shortcomings, inadequate business ethics, lobbying and bribery policies, as well as customer data security and privacy failures may pose material risks. Sustainability risks related to climate change, water, waste and other environmental considerations could have adverse impacts. Social considerations such as human capital management, human rights violations and supply chain transparency may also pose risks and adversely affect the value of Capital International Management Company investments. The impacts following the occurrence of a sustainability risk event may be numerous and vary in significance depending on industries, regions and asset classes.

In order to properly identify and manage these sustainability risks across all our investing activities, we use a combination of industry-leading third-party information as well as our proprietary ESG approach which features three interrelated components: investment frameworks, monitoring process and engagement & proxy voting. Our approach allows us to identify sustainability risks that are material and either to avoid or to mitigate them, consistent with our longstanding mission to improve people's lives through successful investing.

3. Transparency of remuneration policies in relation to the integration of sustainability risks

Sustainability risk considerations are deeply woven into The Capital System™ and are an important factor in our fundamental research, due diligence and engagement. Our remuneration guidelines are aligned with the long-term nature of our investment approach and the effective management of the long-term sustainability risks that are relevant to our investments. Our remuneration policies, consistent with our approach to ESG risk integration, culture and corporate governance, are aligned to our risk profile and that of our funds, and do not encourage risk-taking.