

About the portfolio manager

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| Assets under management | USD 2'000 bn, ESG approach applies across all of the strategies |
| Number of inv. profess. | 440 (as of 30 Sep 2020) |
| Number of inv. profess. dedicated to ESG | 32; in addition in-house analysts (> 300) evaluating ESG issues |
| Participation in shareholder meetings | Yes |
| ESG rating | A / A+ (UN PRI) |
| ESG consultant | No external consultant, rather internal ESG expertise |
| External data sources | <ul style="list-style-type: none"> • Glass Lewis • ISS • RepRisk • MSCI • Sustainalytics |

Memberships

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|--------------------|--|
| Signatory to UNPRI | Yes |
| UNPRI rating | A / A+ |
| Others (selection) | <ul style="list-style-type: none"> • Sustainability Accounting Standards Board (SASB) • Task Force on Climate Financial Disclosures • Asian Corporate Governance Association (ACGA) • Eumedion • Intern. Corp. Governance Network (ICGN) • Council of Institutional Investors (CII) • Harvard Law School Institutional Investor Forum (HIIF) • The Investor Forum (UK) |

Voting activity

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| Exercise of voting rights | Yes; in 2019 at approximately 2'000 annual and special general meetings |
| ESG consultant | No external consultant, rather internal ESG expertise; Institutional Shareholder Services (ISS) ProxyExchange as the company's voting platform |
| Voting report | Yes |
| Additional information | https://www.capitalgroup.com/institutions/lu/en/about/proxy-voting.html |

Decision making process for exclusion decisions

We are an active investment manager with a bottom-up investment process focused on delivering superior, long-term sustainable returns for our clients. Our long-term focus affords us the opportunity and ability to consider the long-term drivers of a business or industry, looking past short-termism whilst continually assessing the current and future prospects of the businesses and industries in whom we invest.

Material ESG factors are important considerations in assessing long-term sustainable business success and are considered alongside the financial, operational and economic indicators in our fundamental analysis and valuation, while also taking into consideration insights gained from engagement with issuers. As such, only the highest conviction ideas make it into our portfolios. We believe engagement, not exclusion, is a more effective path towards creating a positive outcome, achieving beneficial change and unlocking value for investors. In line with this approach, we generally do not apply any exclusion criteria, except for where required by law or by individual clients (for segregated accounts only). For example, the United Nations Convention on Cluster Munitions which was signed in December 2008 and came into force on 1 August 2010. It was ratified by the Luxembourg government through the law of the 4 June 2009 that prohibits all use, stockpiling, production and transfer of cluster munitions. The law also prohibits all persons, businesses and corporate entities from knowingly financing cluster munitions. Our Luxembourg funds have implemented procedures to restrict investment in securities of issuers that would contravene obligations under Luxembourg law.

Consultant for investment guidelines and exclusion criteria

We do not rely on external ESG consultants, but rather on our extensive team of in-house equity and fixed income analysts.

Decision making process for exercising voting rights

All proxy voting decisions are made in-house based on the long-term interests of our clients. Our Governance and Proxy (GAP) team coordinates and facilitates the proxy voting process, and GAP analysts draw on their deep local knowledge, institutional experience, and our established proxy voting guidelines. Ultimately, our investment analysts are responsible for making the final decisions on proxies. These recommendations are reviewed by senior analysts serving as proxy coordinators, and then, if needed, further reviewed and debated by our regional proxy voting committees who make the final vote decision. Our proxy voting committees primarily comprise investment professionals, who bring a wide range of experience and views to each voting decision. When evaluating proxy proposals relating to ESG issues, we assess the impact to the company's shareholders, the specific circumstances at each individual company and the company's current policies and practices. We typically support greater disclosure of environmental-related information, as such information can help us better assess the long-term value of a company.



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Engagement

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|------------|---|
| Engagement | Yes |
| Consultant | No external consultant, rather internal ESG expertise |

ESG consultant for engagement activities / engagement

Consistent with our investment philosophy and approach, we routinely engage in active dialogue with the companies in which we invest. We do this to gain a better understanding of company management, its values, strategy and stance on key issues. Where necessary, we advocate change to protect and enhance the value of investments for which we are responsible.

Most of our engagement involves one-to-one meetings between investment professionals and senior management. In this respect, it forms an integral part of our fundamental research. Due to the size of our assets under management and position as one of the world's largest active manager, we have excellent access to corporate management teams, which provides us with the opportunity to ask direct questions and tackle the issues of greatest concern.

Our focus is on issues that have the potential to impact shareholder value. These include, but are not limited to, corporate strategy, operational performance, capital structure, governance, environmental and social impacts, board composition, diversity, executive remuneration, disclosure and transparency, and many more topics that affect long-term results.

IST portfolio

Portfolio overview

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| ESG rating | No |
| Application of an exclusion list | Yes, but only those companies required by law (e.g. exclusion of cluster munitions) |

Incorporation of ESG factors into the investment process

ESG factors are deeply rooted in our investment process through three tightly integrated components:

Research Frameworks—Our investment analysts have developed over thirty proprietary, sector-specific frameworks that distill our perspective on material ESG issues and inform our evaluation and engagement processes.

Monitoring—All holdings in the underlying Corporate Bond Fund are carefully screened for material ESG considerations. Key ESG issues are flagged based on our proprietary, sector-specific ESG research frameworks, as well as third-party data (MSCI, Sustainalytics) and standards (the UN Global Compact). Flagged holdings require an escalated level of research and review for investment.

Engagement—We believe dialogue and engagement are stronger tools than exclusion to achieve sustainable long-term results. Our Research Frameworks inform the topics on which we engage company management teams. We document the goals we discuss with them and measure progress towards those goals.

Identification of companies excluded

We rely on ISS ESG to identify and flag any companies with an involvement in restricted industries. For example, we apply cluster munitions restrictions at the issuer level for our Luxembourg funds, meaning if an issuer is considered in violation of Luxembourg law on cluster munitions, all the securities issued by this issuer will be excluded from the investable universe.