



# Emerging Markets Sustainable Impact

2020  
IMPACT REPORT

An aerial photograph of a lush green maze, with winding paths and dense foliage. The maze is the central focus of the page, with a white text box overlaid on it.

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I am a true believer that impact investing in emerging markets is becoming very important, but there is still much to be done. We believe this will lead to several opportunities for ESG and impact investing in emerging markets.

**Patricia Ribeiro**  
Senior Portfolio Manager

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# Letter to Shareholders

Investing for positive impact continues to evolve. It has quickly become a mainstream way to manage risk and uncover opportunities that traditional financial analysis may fail to capture. Unexpected challenges stemming from the COVID-19 pandemic have presented a critical testing ground for ESG investing.

Not having to choose between impact and returns is a central component of American Century Investments' approach to investing. Our approach offers an opportunity to invest in companies that fuel change by contributing to the United Nations' Sustainable Development Goals (U.N. SDGs) and demonstrate solid environmental, social, and governance (ESG) risk management practices. We believe this can be achieved while also generating alpha through our distinct investment philosophy.

Providing investment solutions geared toward the SDGs is a natural extension of the impact our firm creates through its unique business model. By distributing more than 40% of dividends to the Stowers Institute for Medical Research, we enable our clients to directly support lifesaving research and contribute to the global fight against gene-based diseases. This is how we and our clients redefine prosperity and—together—become a powerful force for positive impact.

With decades of investing experience, we have seen firsthand how companies react to stakeholder concerns. Companies committed to listening and responding are often more efficient and more attractive to customers and investors alike. Their management teams consider evolving risks and recognize long-term opportunities. Identifying such companies that align with both our investment and impact criteria lies at the core of our investment process.

In this Impact Report, we will explain how we invest to achieve impact and returns. We will summarize the impact theses of several companies we believe illustrate this process and demonstrate how they contribute to the portfolio's five main impact themes: health care, sustainable living, technological progress, education and environmental protection. We will also show how these companies' operations contribute directly to the SDGs and how we measure the impacts they achieve.

We believe ESG investing is crucial to the success of the SDGs—fundamental changes needed to support a more equitable, healthy and sustainable future.\* This portfolio offers the opportunity to participate in efforts to achieve the SDGs by investing in firms we believe can both generate a financial return and drive positive societal change.

## Thank you for partnering with us in this important undertaking.

**Patricia Ribeiro**  
Senior Portfolio Manager

**Sherwin Soo, CFA**  
Portfolio Manager

**Guillaume Mascotto**  
Head of ESG and  
Investment Stewardship

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\* Developed by a global team of industry and government leaders and adopted by all 193 U.N. member states, the SDGs include 17 goals and 169 attendant targets aimed at solving some of the world's most pressing problems by 2030. The goals include eradicating poverty, protecting environmental resources, and achieving gender and income equality.

## HOW WE INVEST FOR IMPACT

Businesses with the resources and expertise to innovate and provide creative solutions to social issues can help bring about positive systemic change. By investing in these companies, we, too, can play a role in societal transformation.

## Accepting the Challenge

Transforming society demands committed collaboration among diverse stakeholder groups. The U.N. estimates that we must invest a staggering \$5 trillion to \$7 trillion annually to attain the 17 SDGs set forth in its Agenda for Sustainable Development by 2030. Achieving these global goals requires the human, technical and financial resources of governments at all levels and those of public and private businesses.

Emerging markets (EM) have more need for investments in infrastructure, technological innovation and educational improvements than developed markets. Accompanied by profound socioeconomic, gender and income inequalities, living standards in some EM nations are among the lowest in the world. EM countries are also more vulnerable to environmental and health-related issues, including access to clean water and rare diseases. These conditions make investing in emerging markets with an SDG focus especially significant.

We believe EM companies could benefit from the growth generated by the positive impact the SDGs intend to achieve. Attaining the SDGs could serve as a fundamental driver of growth in corporate revenues and earnings. In turn, these could drive returns from equities and other assets.

# We Believe Change Is Possible

The U.N. SDGs are broad goals that affect businesses, investors, governments, nonprofits and policy makers. It's our view that investors make the best contribution to these goals by focusing on areas where their investment dollars can add meaningful value.

Each security is mapped to one or more SDGs so investors can see how individual securities are linked to the global effort for a sustainable future.

Using the Sustainable Development Investments taxonomy developed by Dutch pension investors PGGM and APG, we group the SDGs into five specific investment themes that provide pathways to achieving impact.

To link our five impact themes to the SDGs, we use the Sustainable Development Investments (SDI) Taxonomy and Guidance as a foundation.

1 <b>HEALTH CARE</b>	Provide access to affordable health care, medical innovation, and more productive and efficient equipment, services and software	
2 <b>SUSTAINABLE LIVING</b>	Achieve harmony with ecosystems, accelerating circular economy transition and providing access to a better quality of life, food security, efficient energy and transportation options, and basic services	     
3 <b>TECHNOLOGICAL PROGRESS</b>	Develop paradigm-breaking technological innovation that could transform the global economy and improve society	 
4 <b>EDUCATION</b>	Provide access to the affordable transfer of knowledge, which could help lift people out of poverty and strengthen economic conditions and gender quality	    
5 <b>ENVIRONMENTAL PROTECTION</b>	Drive positive environmental impact from biodiversity loss prevention to climate change mitigation to the transition toward a lower-carbon energy system	    



**Our goal is to invest in companies that not only generate a financial return but also fuel societal change by contributing to the United Nation's Sustainable Development Goals.**

## Impact Generation Framework

The Emerging Markets Sustainable Impact strategy seeks investments in companies striving for positive societal changes without sacrificing attractive return potential.

Our expertise extends back to 1997, when we first applied our differentiated investment philosophy and approach to emerging markets. We seek to invest in companies that demonstrate an accelerating trend in earnings growth. Over time, we believe these ideas represent the best investment opportunities to deliver on client objectives.

In managing our Emerging Markets Sustainable Impact strategy, we apply our Impact Generation Framework in an effort to ensure every investment we make exhibits both a demonstrable financial business case and a quantifiable impact on society and/or the environment. This framework draws on the Theory of Change and seeks to achieve positive change through two impact mechanisms: 1) enabling growth by investing in companies with current or projected net-positive impact and 2) encouraging improvement through active engagement with companies.

The framework also consists of five impact themes. The SDGs align to one or more themes and enable investors to recognize how an individual company links to sustainability. Investment candidates must exhibit accelerating growth characteristics alongside current or projected revenue stream alignment with one or more SDG goals underpinning the themes. Each company is then evaluated to ensure potential risks to impact are identified and adequately managed, using a proprietary ESG scoring system.

To ensure proper SDG alignment, we reference the Sustainable Development Investments taxonomy developed by Dutch pension investors PGGM and APG. The taxonomy provides our portfolio managers with guidance when determining whether a company addresses one or more of the SDGs. Additionally, our analysts may utilize a variety of resources, including mapping tools and direct company engagement, to further validate SDG alignment.

Our process culminates in an impact thesis for each company that explains current or projected SDG alignment in combination with the company's fundamental growth profile.

# Impact Thesis

Our goal is to ensure every investment exhibits both a demonstrable financial business case and a quantifiable impact on society and/or the environment.

## Investment Thesis



### IDEA GENERATION AND FUNDAMENTAL ANALYSIS

- Identify companies exhibiting improving fundamentals, relative strength and valuation
- Assess ESG risks and opportunities
- Validate company's SDG exposure

## Measuring Impact by Applying the Theory of Change\*



### INPUT

Identify company resources used to achieve impact



### OUTPUT

Identify products or services that lead to impact



### OUTCOME

Articulate or quantify impact enablers



### IMPACT

Measure actual or projected contribution to SDGs.

Measuring impact continues to be a challenge. This is especially true of emerging markets given that sustainability disclosure is limited. This challenge offers an opportunity for investors to do their own deep-dive impact research and conduct active engagement. As part of our focus on continuous improvement, we will continue to review our impact approach against industry standards and best practices to ensure alignment with our processes. We will also continue to work with our investee companies to improve the availability and quality of our reporting.

\*Theory of Change is a methodology for impact evaluation. For more information, please visit: <https://iris.thegiin.org/metric/5.0/od6350/>.

## IMPACT RESULTS

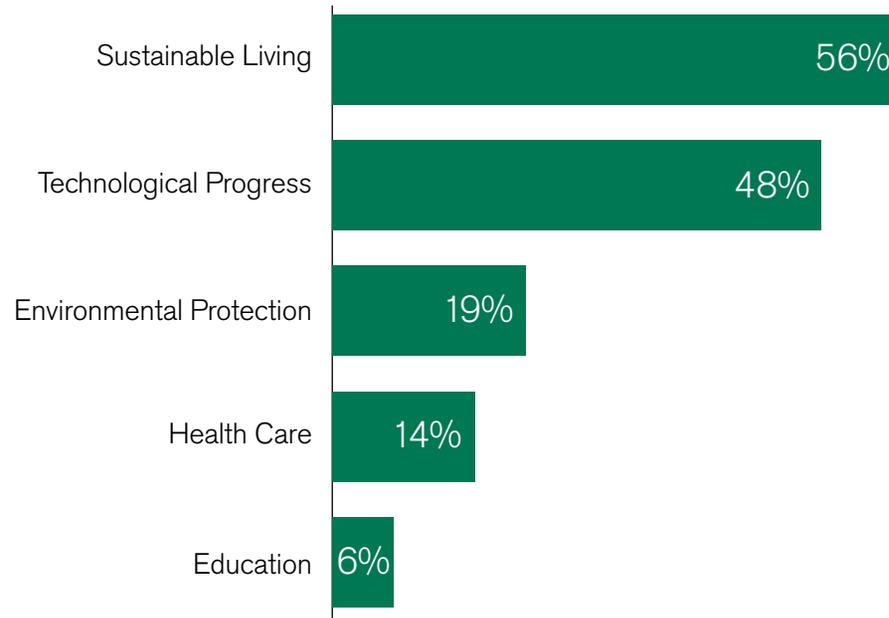
We believe companies can generate a financial return and fuel positive societal change.

## Total Portfolio Impact

By investing with the intention of helping advance the SDGs, our investors have played a critical role in creating a more inclusive society in emerging markets. Many of the portfolio holdings impact more than one SDG, so numbers will add up to more than 100%.

### How the Portfolio Impacts Each Theme

Based on portfolio allocation to each company and its primary impact theme

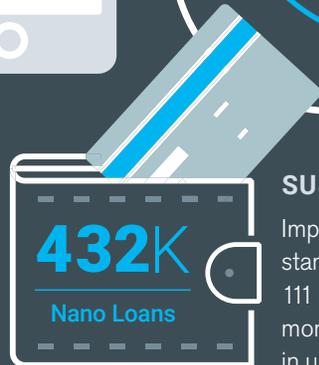


Data as of 12/31/2020. Source: American Century Investments, FactSet.

# Impact in Action

## HEALTH CARE

Improve the health and well-being of rural and underserved populations by providing 321 million people with access to 24/7 online health care services



## SUSTAINABLE LIVING

Improve the possibility of a higher standard of living by opening more than 111 million savings accounts and providing more than 432,000 nano loans to people in underserved markets

## EDUCATION

Increase the possibility of better-paying employment by providing access to educational services to more than 24 million students



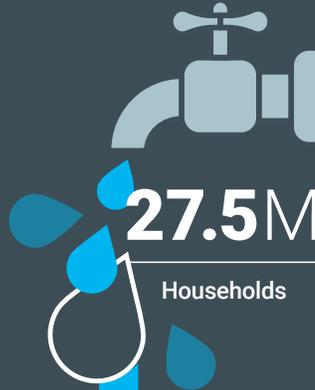
## TECHNOLOGICAL PROGRESS

Increase financial inclusion by offering digital payment capabilities to 1.85 billion people



## ENVIRONMENTAL PROTECTION

Reduce the number of people suffering from water scarcity by supplying more than 27.5 million households with clean water and wastewater services





## HEALTH CARE

### THESIS

Good health is key to leading a happy and productive life. In accordance with U.N. SDG 3—ensuring healthy lives and well-being—we have identified four health care themes that can benefit diverse global populations.

- New or innovative treatments for diseases, including cancer
- More productive medical equipment, services and software
- Greater access to medicine and health care services
- New solutions for lowering health care costs

Health care is a natural area of investment focus for American Century because our firm deploys 40% of its profits to support research into improving health care outcomes.

### CRITICAL CHALLENGES

- More than 50% of the world's population lacks access to essential health services.<sup>1</sup>
- Medical bills push 100 million people into poverty every year.<sup>1</sup>
- Mortality rates from four largely preventable diseases—cancer, cardiovascular disease, diabetes and chronic respiratory diseases—are increasing globally.<sup>2</sup>
- The coronavirus pandemic has sickened nearly 84 million people throughout the world as of December 31, 2020.<sup>3</sup>

## Coway

Coway is a South Korea-based manufacturer and retailer of environmental home appliances, including air and water purifiers.

Coway employs over 4,900 people in more than 40 countries, including 235 researchers.

The company has spent an average of \$35 million on R&D over the last five years.

Air purifier sales make up 18% of Coway's domestic revenues, while appliance rentals account for 75%. (As of October 2020)

Sales of air and water purifiers totaled more than 2.2 million units in 2019, representing sales of more than \$3 billion.

Coway provides air and water purification services to 18% of South Korean households. Several incidents of contamination, including larvae in tap water in July 2020, have forced residents to boil tap water before use.

Promotes good health and well-being through access to clean air, water and sanitation services.



Sources: American Century, Coway. Data as of December 2019 unless otherwise noted.



## Wuxi Biologics

Wuxi Biologics helps pharmaceutical and biotechnology companies discover, develop and manufacture biological drugs.

Wuxi Biologics maintains one of the largest biologics development teams in the world and a total workforce of 6,348 as of September 30, 2020.

The company spent \$38 million on R&D in 2019, a 70% annual growth rate over the prior three years.

As of 2019, the company had applied for 111 patents, two software copyrights and two trademark registrations.

As of October 15, 2020, the company has 312 integrated projects underway, including 161 in the pre-clinical stage, 127 in the Phase I and Phase II stages, 23 in the Phase III stage of clinical development, and one project in commercial manufacturing.

Through continuous R&D and innovations, Wuxi Biologics can extend its service offerings along the drug development value chain, capturing strong demand for global biologics outsourcing.

These biologics address cancer, genetic disorders, HIV treatments and COVID-19.

Supports good health and well-being by providing access to safe, effective, and affordable essential medicines and vaccines.



Sources: American Century, Wuxi Biologics. Data as of December 2019 unless otherwise noted.

Portfolio holdings are subject to change.



# SUSTAINABLE LIVING

## THESIS

We believe the key to sustainable living is attaining growth and development while improving quality of life in a responsible way. This theme seeks to address the future of urban living through financial services and smart cities connected by technology in harmony with the ecosystem.

- Electric vehicles, power storing infrastructure and pooling services
- Efficiency in industrial processes, wood-based construction materials and fiber-based composites, and smart grids
- Local food supply chain management, clean agritech and organic or alternative food production to expand sustainable access to nutritious food
- Microfinance focused on expanding access to services and basic needs, including sanitation and affordable housing to previously underserved or remote populations

## CRITICAL CHALLENGES

- Nearly 50% of the world's population lives on less than \$5.50 per day.<sup>4</sup>
- An estimated 815 million people globally suffer from chronic undernourishment.<sup>5</sup>
- Only 35% of small-scale industries have access to credit in developing countries.<sup>6</sup>

## PT Bank Rakyat Indonesia

Bank Rakyat Indonesia (BRI) is the second-largest bank in Indonesia. It leads the small-scale and microfinance markets, holding 15.3% of loans and 16.2% of deposits in the country.

BRI has more than 10,000 facilities, including regional and branch offices, cash offices, and micro and mobile outlets.

The company employs more than 125,000 people.

BRI offers extensive branch and branchless network services to many underbanked markets, providing loans that finance small businesses. The bank processed 156 million transactions through the first quarter of 2020, up 29% year-over-year.

The BRILink program reaches rural customers through a mobile app, even in areas lacking access to 3G/4G networks.

The bank provides small business loans which increases financial participation for many people who lack access to financial services.

In 2019, the company disbursed 4 million small business loans, 86% of which went to the micro segment.

The bank services 111 million savings account clients in Indonesia.

Helps reduce poverty.

Facilitates business and employment opportunities by expanding access to financial services.

Promotes improved industry, innovation and infrastructure through access to affordable credit.



Sources: American Century, BRI. Data as of December 2019 unless otherwise noted.



## Srisawad Corp.

Bangkok-based Srisawad provides microloans and savings products to retail borrowers who lack access to formal banking services.

Srisawad maintains 4,080 branches and employs more than 7,000 people.

The company's branch network is expanding in less developed and rural areas, taking market share from unlicensed and/or predatory lenders.

The company provided more than 36.3 billion baht in micro-loans in 2019.

Srisawad's secured loans allow customers to bridge short-term income gaps and fund business opportunities using cars or motorcycles as collateral. Collateral is modest, generally around 50%.

Stalled household income and escalating poverty drive the need for micro finance services in Thailand.

Srisawad provides financial services to underserved populations with few or no other options. We believe these services can provide the catalyst for people to contribute to the country's economic expansion.

Helps reduce poverty through access to micro finance.

Promotes improved industry, innovation and infrastructure by assisting new business opportunities.



Sources: American Century, Srisawad. Data as of December 2019 unless otherwise noted.

Portfolio holdings are subject to change.



# TECHNOLOGICAL PROGRESS

## THESIS

We believe technological innovation is the backbone of economic growth and a critical element for achieving many of the U.N. Sustainable Development Goals. While the Technological Progress theme interrelates with other portfolio themes, it focuses on companies involved in impact-driven technology solutions. The ability to commercialize these solutions has the potential to impact society in a meaningful way.

## CRITICAL CHALLENGES

- More than 40% of the world's population lacks regular access to the internet.<sup>7</sup>
- Approximately 80% of all public energy R&D spending is now directed to low-carbon technologies, but the COVID-19 pandemic has delayed or disrupted scheduled projects.<sup>8</sup>
- Renewable resources generate only 23% of electricity worldwide.<sup>9</sup>

## Xinyi Solar Holdings Ltd.

The world's largest solar glass manufacturer, Xinyi Solar has the capacity to meet more than 35% of the global demand for the solar glass required in photo-voltaic (PV) module production.

The firm operates solar farm projects in China with capacity of 2.9 gigawatts (GW).

Sources: American Century, Xinyi Solar Holdings Ltd. Data as of June 2020 unless otherwise noted.

Xinyi Solar has 4,377 full-time employees, 3,518 based in China.

R&D spending averaged US\$23 million over the five years ended 2019.

Solar glass sales account for 75% of the firm's revenues, while solar power electricity generation make up 25%.

For the first half of 2020, revenues US\$596 million, a 16% year-over-year growth rate.

The company's innovative bifacial solar panels can generate 10%–30% more power at only 3%–5% additional cost.

Xinyi's ground-mounted PV power stations eliminate the burning of 967,000 tons of coal and the reduction of 126,000 tons of carbon dust, 2.64 million tons of CO<sub>2</sub> emissions and 630,000 tons of SO<sub>2</sub> emissions annually.

Delivers reliable access to clean energy at more affordable rates.

Promotes improved industry, innovation and infrastructure.



### COMPANY

### INPUT

### OUTPUT

### OUTCOME

### IMPACT

## Samsung SDI Co.

South Korea-based Samsung SDI is a leading manufacturer of rechargeable batteries for automobiles, energy storage systems (ESS) and the information technology industry.

R&D employees comprise more than 2,300 experts, with 39% holding master's and/or doctoral degrees.

R&D spending at the end of 2019 totaled US\$612 million, a 10% compound annual growth rate over the prior three years.

The long-duration batteries used in large-size ESS store energy (including renewables) for peak-time use.

Samsung SDI's annual output capacity grew at a 33% compound annual growth rate from 15 GWH in 2018 to 35 GWH in 2020.

Reduction of greenhouse gas emissions through use of Samsung SDI batteries is estimated to have an economic impact of KRW49.8 trillion (approx. US\$44 billion) annually.

Rechargeable batteries support electric vehicles across the automotive industry.

Falling battery prices have lowered electric vehicle ownership breakeven costs by 50% since 2010.

Improves energy efficiency by helping reduce energy usage, facilitating renewable energy use, and reducing the effects of climate change.

Promotes improved industry, innovation and infrastructure.



Sources: American Century, Samsung SDI Co. Data as of December 2019 unless otherwise noted.

Portfolio holdings are subject to change.



## EDUCATION

### THESIS

Access to education is crucial to improving quality of life through reducing inequality and increasing the possibility of better paying employment. We see three vital outcomes resulting from access to an affordable transfer of knowledge.

- Helping end poverty through better employment
- Strengthen economic conditions by providing entrance to the knowledge-based economy
- Achieve gender equality by helping women and girls achieve fuller integration into society

### CRITICAL CHALLENGES

- Incomplete education or poor health leads to a 50% decline in productivity in 56% of the world's children.<sup>10</sup>
- Approximately 617 million children and adolescents globally are unable to reach minimum proficiency levels in reading and mathematics.<sup>11</sup>
- Sixty-nine million new teachers are needed to achieve global universal primary and secondary education.<sup>12</sup>
- Girls living in areas of conflict are 90% more likely not to attend secondary school.<sup>13</sup>

## YDUQS

YDUQS provides quality higher education across Brazil.

YDUQS employs more than 12,286 people, including 7,215 faculty members.

The company operates 933 distance learning centers and 94 campuses in the major urban centers of all Brazilian states.

Learning materials are available to students digitally at SAVA, a virtual learning classroom that provides free access to all types of devices.

Enrollment revenues in the company's on-campus and distance learning undergraduate, masters and doctoral programs exceeded R\$3.5 billion in 2019.

The distance learning portion of YDUQS' revenues grew by 28% year over year, reflecting a sharp increase in student enrollment.

In Brazil, holders of higher education degrees attain an average increase in annual salary of 2.4%. In 2019, YDUQS provided affordable higher education to 570,000 students.

The company also provided 260,000 students access to education via its distance learning program during the same year.

Enables youths and adults to gain relevant skills for employment and decent jobs by expanding access to quality education.



Sources: American Century, YDUQS Management Report. Data as of December 2019 unless otherwise noted.



## TAL Education Group

TAL is the leading provider of after-school tutoring in China.

TAL operates an educational network consisting of 871 learning centers and 767 service centers in 69 cities in China. It also provides online education.

The firm employed 27,500 full time and 8,245 contract teachers as of fiscal year-end February 2020.

Average enrollment increased 55% from 1.9 million in February 2019 to 3 million in February 2020.

Small class tutoring and one-on-one services account for 80% of revenue, with online education accounting for 20%. Total revenue grew 27% on a year-over-year basis as of fiscal year-end February 2020.

TAL's primary and secondary after-school tutoring services seek to better prepare its graduates to pass entrance exams and succeed at higher levels of education, which ultimately provides better financial opportunities. The Chinese education system relies heavily on entrance exams for admission to colleges. Its online services expand its ability to reach a wider net to cover more students in China.

Helps reduce poverty and gender inequality by expanding access to quality educational opportunities.

Improves standards of living through access to education and employment.



Sources: American Century, TAL Education Group. Portfolio holdings are subject to change.



# ENVIRONMENTAL PROTECTION

## THESIS

Climate change and renewable energy sources dominate the topic of environmental protection. While we acknowledge the importance of these two pillars of pro-environmental investing, this theme looks beyond anti-fossil fuel and clean energy solutions.

- Addressing biodiversity protection
- Reducing environment footprints
- Working toward achieving the circular management of resources
- Addressing opportunities in environmental control and negative-emissions technology, renewable energy, and bio-based plastics and materials

## CRITICAL CHALLENGES

- Some 29% of the world population lacks access to safe drinking water.<sup>14</sup>
- While energy companies produce more than 70% of global greenhouse gas (GHG) emissions annually, often overlooked is the significant portion other sectors generate, including agriculture, waste and industrial processes.<sup>15</sup>
- Rising sea levels threaten to displace 350 million people globally by 2050.<sup>16</sup>
- In the U.S. alone, extreme weather events causing losses above \$1 billion have increased more than 400% since the 1980s.<sup>17</sup>

## Guangdong Investment, Ltd.

Guangdong Investment (GDI) is a Chinese firm whose water resources business includes water supply, sewage treatment and waterworks projects.

GDI has 7,618 employees. The firm is the sole supplier of water to Shenzhen, Dongguan and Hong Kong through the Dongshen Water Supply Project (30-year concession). The pipeline has an annual capacity of 2.4 billion tons. Projects under construction represent 1.9 million tons of water usage per day.

Nearly 60% of GDI's revenue in 2019 came from its water resources segment. GDI's sewage treatment plants reached processing capacity of 1.3 million tons daily in 2019.

The company supplied more than 2 billion tons of clean water and served 27 million customers in mainland China and Hong Kong over 2018-2019.

Ensures availability of clean water and sanitation services. Develops sustainable and resilient infrastructure for basic human needs.

Sources: American Century, Guangdong Investment Ltd. Data as of October 2020 unless otherwise noted.



## Sabesp

Sabesp is a water and waste management company based in the Brazilian state of São Paulo.

Sabesp has 13,945 employees. Sabesp has committed capex investing equaling US\$3.5 billion (2020-2024) for increased connectivity and security of water supply. The current concession contract with the state of Sao Paolo expires in 2040.

The company provides access to clean, safe water (54% of revenues) and offers sewage treatment (46%), largely to the residential market (76% of volume).

In 2019, Sabesp served 372 municipalities, supplying 271 million people with water and 238 million people with sewage service. It maintained 9.9 million water connections and 8.3 million sewage connections.

Provides affordable basic services, such as clean water and sanitation for rural and urban populations. Lowers public health expenditures.

Sources: American Century, Sabesp. Data as of March 2020.

Portfolio holdings are subject to change.



## CLIMATE CHANGE

While several key issues related to ESG themes are important to investors, climate change remains at the forefront. In addition to having enormous financial consequences, climate change impacts many aspects of ESG investing. We expect asset owners increasingly to take the position that climate change poses risks to the global economy, financial systems and their portfolios.

## A Closer Look at Carbon Emissions

Asset managers will need to demonstrate how they assess and integrate into investment processes the impacts of climate change—both physical risks and those arising from the transition risks of shifting to a low-carbon economy.

While the exploration and development of alternative energy sources may mitigate climate change risk, there continues to be a significant reliance on fossil fuels to meet much of the world's energy needs. Though many asset owners may employ fossil fuel divestment to reduce climate change-related risk, our approach focuses on decarbonization rather than full-fledged divestment. We will favor energy players working toward carbon neutrality and making solutions-driven investments in clean tech (e.g., negative-emissions technologies and bioenergy) to combat climate change.

Per our Active Ownership Policy, climate change is an important topic for engagement and proxy voting, and as such, we dialogue with those players that still have room for improvement. We believe the combination of a clean-tech thematic and engagement approach will contribute to more informed investment decisions relating to those companies and the relative attractiveness of the energy sector over time.

### OUR AFFILIATIONS

#### **Carbon Disclosure Project (CDP)**

The firm is a member of CDP, a global disclosure system that encourages companies and local, state and regional governments to measure and manage their environmental impacts. Investors and purchasers may use this environmental information in their financial decision-making.

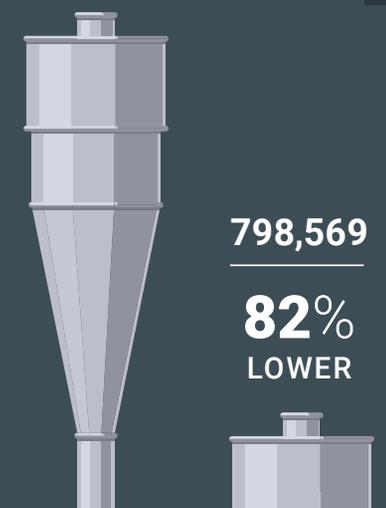
#### **Task Force on Climate-Related Financial Disclosures (TCFD)**

American Century is a supporter of TCFD, a global organization that develops voluntary, consistent climate-related financial risk disclosures that companies, banks and investors use to share such information with stakeholders.

# Portfolio Carbon Footprint Results

Our portfolio carbon footprint tool measures the portfolio's carbon exposure in four key dimensions and compares these measures to the index.

4,474,240



MSCI Emerging Markets Index

Portfolio

## CARBON EMISSIONS

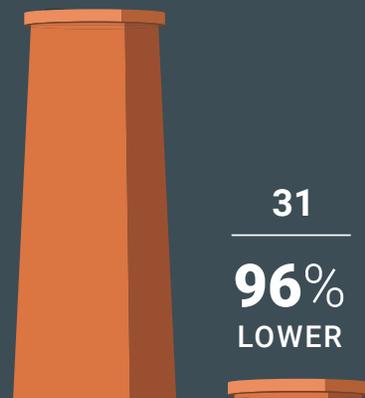
tCO<sub>2</sub>e

The three-year simple average carbon emissions for all the holdings in the portfolio (unweighted).

Data as of 12/31/2020.

Source: FactSet and American Century Investments.

693



MSCI Emerging Markets Index

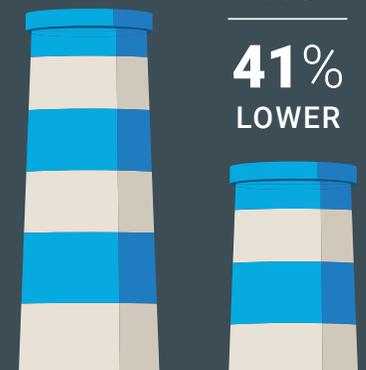
Portfolio

## PER \$ OF INVESTMENT

tCO<sub>2</sub>e / \$M Invested

The sum of the portfolio's share of holdings' three-year average carbon emissions based on participation rights, divided by the total current market value of the portfolio, per million dollars invested.

294



MSCI Emerging Markets Index

Portfolio

## CARBON INTENSITY

tCO<sub>2</sub>e / \$M Sales

Ratio of the portfolio's weighted-average three-year carbon emissions per \$1 million of sales.

MSCI Emerging Markets Index

Portfolio

-1.6%

**217% LOWER**

**-5.1%**

## CARBON INTENSITY TREND

CAGR of tCO<sub>2</sub>e / \$M Sales (%)

Compound annual growth rate of portfolio holdings' three-year average carbon emissions per \$1 million of sales, unweighted.

## ACTIVE OWNERSHIP

Building relationships with the companies in which we invest helps us gain insight and promote changes that benefit investors.

## Engagement

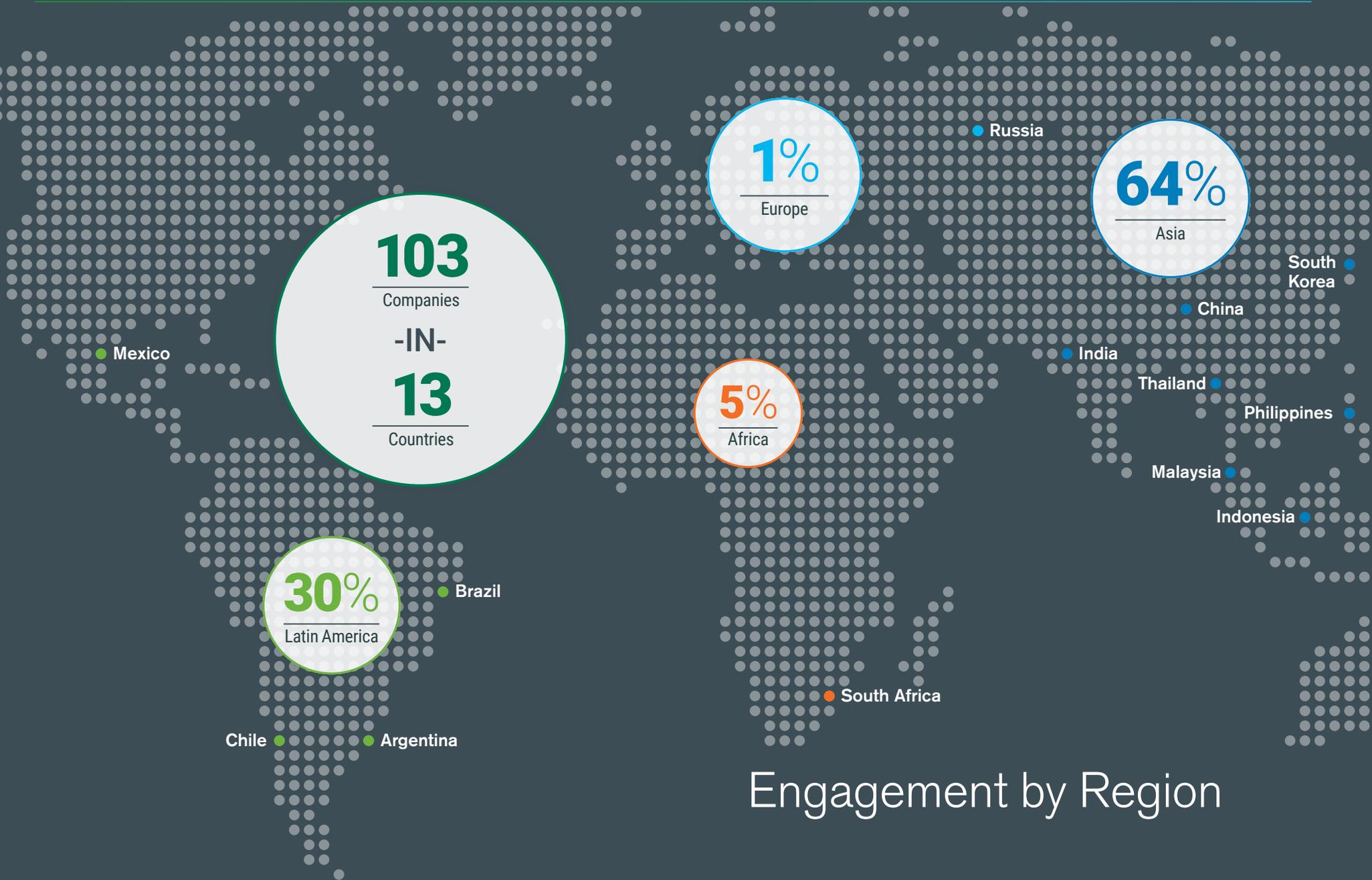
Engagement constitutes an integral part of our fundamental research process, and we seek to forge constructive dialogues with companies that contribute to more informed long-term investment decisions.

The primary objectives for engaging are to:

- Gain a more thorough understanding of a company's approach to ESG risk or opportunity management, including controversies and associated remedial action
- Encourage a company's increased transparency around material ESG issues.

Meeting with company management is an important part of our research process and provides the opportunity for our team to engage and establish a dialogue on any material issues that could affect a company's long-term prospects. Engagement is conducted by the investment team in close collaboration with the ESG team. Engagement protocol may include in-person meetings, conference calls, written communications and industry forums.

We maintain an audit trail of company dialogues by recording engagement activities in our investment research platform, enabling us to monitor the progress of engagement activities, set priorities for future engagements, and share insights across the investment teams. This shared platform facilitates collaborative efforts across the investment decision-making process with increased transparency around our engagement process and reporting efforts.



# Engagement by Region

Based on number of Emerging Markets Sustainable Impact engagements in 2020.  
Source: American Century Investments.



## ENGAGEMENT CASE STUDIES

Companies that drive energy efficiency through their supply chains, offer products that make resource use more efficient, or directly solve environmental problems are poised to sidestep climate change risks and gain popularity as future innovators.

# Engagement Case Studies

## Geely Auto Group

**COMPANY** Founded in 1997, Geely Auto Group is a leading automobile manufacturer based in Hangzhou, China. The group employs more than 50,000 people, operates 12 plants, five global R&D centers in Hangzhou, Ningbo, Gothenburg, Coventry and Frankfurt.

**OBJECTIVE** Encourage transparency around material ESG issues

**TOPICS** Climate Change; Labor Practices and Supply Chain Management

**OUTCOME** Despite the need for additional disclosure, we were encouraged by the company's desire to improve its supply chain management and labor practices. We will continue to engage with management and monitor these issues.

**KEY RISKS** **Fuel Consumption.** We requested more data on its fleet's average fuel consumption and an explanation of the worsening trend. Management pointed to the increasing demand for SUVs over sedans in China for the rising trend. But it also noted its introduction of new generation engines and hybrid powertrains, which should result in fuel savings.

**Materials Sourcing.** Geely is exposed to the risk of conflict minerals (e.g., tantalum, tin, gold and tungsten) sourced from the Democratic Republic of Congo and linked to the funding of armed groups and support of corruption. While Geely recognizes the need to manage risks associated with controversial sourcing, we flagged that management did not provide details on how it ensures and verifies the raw materials sourced from its suppliers are conflict-free. We continue to request additional information from management to better understand the company's plan to address these concerns.

**Labor Issues.** The firm was mentioned in an Australian human rights report accusing suppliers of using forced labor by Uighur Muslims in China. We continue to flag this issue around forced labor because we don't believe management has satisfactorily addressed the controversy. Management acknowledges that it has work to do in this area.

Portfolio holdings are subject to change.

## Hapvida Participacoes e Investimentos S.A.

Hapvida is a health care company based in Brazil. The company's main activities are the coverage of costs of medical, hospital and dental care of its associates and the provision of medical, hospital and dentistry services.

Enhance understanding of ESG risk management

Human Capital; Patient Health and Safety; Data Privacy and Security

Our engagement with the company resulted in increased understanding of these key risks, and we will continue to monitor and report on these issues going forward.

**Human Capital.** Although Hapvida initially provided little information on its human capital management strategy, we were encouraged by the steadily low employee turnover rate and the company's positive relationships with its unions. We learned of the company's professional development program, designed to offer improvement and advancement paths for all employees. The company has acknowledged the value its employees provide by adding a Vice President of People, Management and Diversity to its executive ranks.

**Patient Health and Safety.** We investigated how Hapvida's established internal medical protocols protect patient health and safety. Management related its improvements to the patient experience, including an internal accreditation program to standardize audits of health care units.

**Data Privacy and Security.** We initially saw little information on how the company's data privacy and security protocols could mitigate the risk of the potential damages of a data breach. Engagement with management revealed its training programs for IT and security professionals and software updates. Hapvida maintains its own data centers and a redundant third-party site for business continuity.

As long-term investors, actively engaging with our investee companies and voting shares in the best interests of clients are integral components of our investment process and commitment to serving clients.

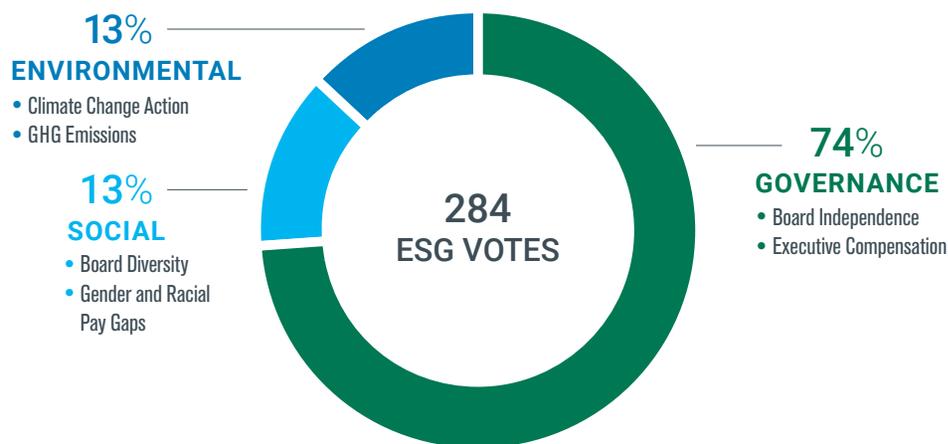
## Proxy Voting

Our ESG integration process extends to our proxy voting practices. With a range of inputs, including the Institutional Shareholder Services Socially Responsible Investment (ISS SRI) proxy recommendations, the ESG Proxy team assesses the financial materiality of ESG issues underpinning proposals. Based on this analysis, the team then makes voting recommendations to portfolio managers, who review and approve the recommendations.

When opposing management on a specific ESG-focused resolution, the ESG Proxy 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.

The following chart includes examples of our ESG proxy votes in support of ESG shareholder resolutions and votes against management. We voted in support of a range of topics including, but not limited to, environmental risk management, diversity and best practices related to governance.

### 2020 American Century ESG Proxy Votes



Based on total firm ESG proxy votes in 2020. Source: American Century Investments.

# American Century's Affiliations and Collaborative Initiatives

## **United Nations Principles of Responsible Investing (UNPRI)**

As a signatory to UNPRI, the world's leading proponent of responsible investing, we publicly demonstrate our commitment to including ESG factors into investment decisions and asset ownership. We were one of 30 signatories requested to provide technical comments on UNPRI's 2020 report titled *Investing with SDG Outcomes: A Five-Part Framework*.

## **Investor Stewardship Group (ISG)**

As a signatory to the ISG, we commit to the six stewardship principles for institutional investors as outlined by the ISG framework. We further agree to codify our obligations under the framework, and we affirm our responsibilities relating to shareholder engagement and proxy voting policies. We will encourage U.S.-listed companies to articulate how their governance structures and practices align with the ISG's principles. Where we find misalignment, we will seek to understand the differences.

## **International Corporate Governance Network (ICGN)**

We are a member of ICGN's global initiative and network that promotes effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.

## **CFA Institute**

We are a signatory to the CFA Institute Asset Manager Code of Professional Conduct and involved with the CFA Institute Center for Financial Market Integrity.

## **Access to Medicine Foundation**

The firm is a signatory to the Access to Medicine Index Investor Statement, working with investors to improve the knowledge of how pharmaceutical companies manage risks and opportunities related to access-to-medicine and antimicrobial resistance (AMR) and utilizing Access to Medicine Foundation research in investment analysis and engagements with companies.

## **Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)**

American Century is a founding member of IAST APAC, an investor-led initiative that engages with companies in the APAC region to help "find, fix and prevent modern slavery, labor exploitation and human trafficking in their value chains."

## **Carbon Disclosure Project (CDP)**

The firm is a member of CDP, a global disclosure system that encourages companies and local, state and regional governments to measure and manage their environmental impacts. Investors and purchasers may use this environmental information in their financial decision-making.

## **Task Force on Climate-Related Financial Disclosures (TCFD)**

American Century is a supporter of TCFD, a global organization that develops voluntary, consistent climate-related financial risk disclosures that companies, banks and investors use to share such information with stakeholders.

## **Pensions for Purpose**

As an Influencer in this UK-based global initiative, we are committed to helping raise the profile of impact investment issues through original research, case studies, thought leadership and participation in ESG/sustainability-related events. In 2019, we participated in the organization's Investing with Impact Summit on a panel titled "Measuring Outcomes from Impact Investing." Other panelists included representatives of the Church Commissioners for England and a Local Government Pension Scheme.

## **Nordic Sustainable Investment Platform (NordSIP)**

As a member of NordSIP, we contribute thought leadership about our sustainable and impact investment strategies to help apprise institutional investors in the Nordics of the potential impacts their investments can make toward solving global issues.

## **ESG Clarity**

We contribute thought leadership and other content to ESGclarity.com, an editorially led website for funds that incorporate ESG thinking into their investment analyses. The platform is intended to share knowledge and help investors assess asset managers' ESG savvy.

## **Global Fund Search**

This Denmark-based search platform helps institutional asset owners find the best asset managers for their investment mandates. Global Fund Search has highlighted American Century as an ESG Leader dedicated to sustainable investing.

# MEET OUR PEOPLE

We strive to build portfolios that align with your investment, ESG and impact objectives.

## Investment Team

### PORTFOLIO MANAGERS



**Patricia Ribeiro**  
Senior Portfolio Manager  
*B.S. Accounting,  
Rutgers University*



**Sherwin Soo, CFA**  
Portfolio Manager  
*B.A. Biological Neuroscience,  
University of Pennsylvania;  
B.S. Finance, Wharton School,  
University of Pennsylvania  
MBA, MIT Sloan School of Management*

### INVESTMENT ANALYSTS



**David Choi, CFA**  
Senior Investment Analyst  
*Korea | Taiwan  
B.A., Boston College*



**Nikhil Malpani, CFA**  
Senior Investment Analyst  
*South Africa | Pakistan | India  
B.M.S., University of Mumbai  
M.B.A., University of Chicago*



**Emily Killion**  
Senior Investment Analyst  
*China | Korea | Indonesia | Philippines | Turkey | Russia  
B.S., University of Maryland  
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**Evelyn Yeow, CFA**  
Investment Analyst  
*China | Thailand | Malaysia  
B.A., City University of New York*



**Carla Cantreva-Baessler**  
Senior Investment Analyst  
*Latin America | Middle East  
B.A., Fundação Getúlio Vargas  
B.S., Faculdade de Tecnologia de São Paulo  
M.B.A., New York University*

### CLIENT PORTFOLIO MANAGERS



**Nathan Chaudoin**  
Senior Client Portfolio Manager  
*B.A., Wake Forest University*



**Jim Shore, CFA**  
Senior Client Portfolio Manager  
*B.A., Williams College*

# ESG Team

## PORTFOLIO MANAGEMENT



**Guillaume Mascotto**

Head of ESG and Investment Stewardship

*B.A. and M.A. International Affairs, University of Quebec  
Michael Smith Scholar for Foreign Study, University of Tampere  
M.A.L.D. Economics and International Business, Tufts University*

Guillaume leads the firm's environmental, social and governance investment research and stewardship efforts. He also manages the incorporation of ESG matters into the firm's proxy voting process and drives the development of ESG-oriented products.

## INVESTMENT ANALYSTS



**Jennifer Sero**

ESG Senior Analyst

*Global Small Cap Equities | Global Credit and Sovereign  
B.A. Economics, Harvard University  
M.M. Violin, New England Conservatory*



**Hannah Herold**

ESG Senior Analyst

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B.A. Economics and History, Vanderbilt University*



**Aditi Pai**

ESG Associate Analyst

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B.A. Applied Economics and  
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**Johanna Woldai**

ESG Associate Analyst

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B.S. Administration and Economics,  
Stockholm University  
M.S. Global Finance, Fordham University*

## EVERY CLIENT MAKES AN IMPACT

Every client that invests with us is part of a truly unique endeavor to support breakthroughs in biomedical research.

## Our Unique Ownership Structure Impacts Society in a Meaningful Way

Investing in health care innovation has been ingrained into American Century's DNA. Our founder James E. Stowers Jr. and his wife Virginia dedicated much of their net worth to creating a nonprofit biomedical research organization focused on investigating gene-based diseases. This led to an ownership structure for American Century by which more than 40% of our annual dividends are devoted to funding the work of the Stowers Institute for Medical Research. Since 2000, dividend distributions to the Institute have exceeded \$1.7 billion, all aimed at enhancing our basic understanding of disease causes and mechanisms.

To complement the work of the Institute, James and Virginia Stowers also established BioMed Valley Discoveries (BVD), a for-profit clinical-stage biotechnology company to focus on unmet patient needs across different therapeutic and diagnostic areas, including cancer, inflammation and infectious disease. BVD is wholly owned by a supporting organization of the Institute, and 100% of its profits accrue to the Institute.

These strategic relationships enable our investors to directly support crucial research and contribute to the global fight against cancer and other gene-based diseases.

# TOGETHER

We're More Invested in Giving **Hope for Life**

When you partner with us, you invest in your financial future and support research dedicated to eliminating life-threatening diseases.



### Managing Money, Making an Impact

American Century pays dividends to our owner, the Stowers Institute for Medical Research, a world-class biomedical research organization.

### Contributing to Humanity

The Stowers Institute works to uncover the secrets of health and human life and funds treatments through BioMed Valley Discoveries.

### Advancing Innovative Treatments

BioMed Valley Discoveries' mission is to address unmet patient needs across a wide spectrum of diseases.

# Stowers Institute for Medical Research



*When done right, responsible investing has the potential to yield financial success and positively impact society. Through our unique ownership structure, generating results for clients also supports research that can improve health and save lives.*

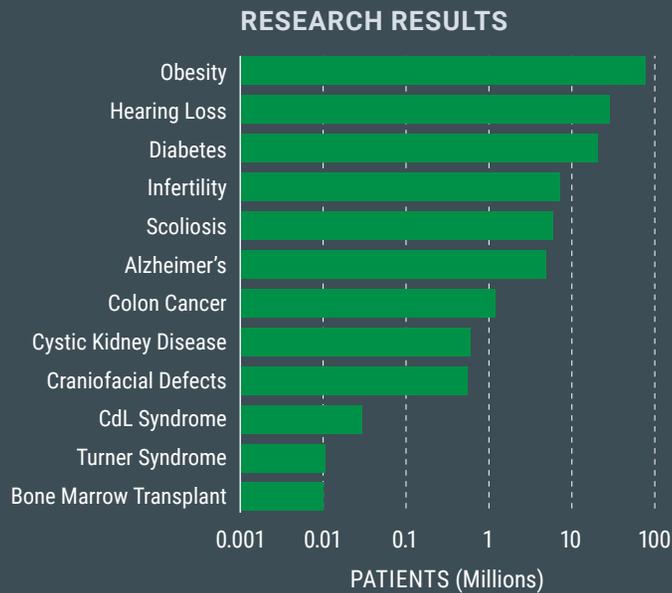
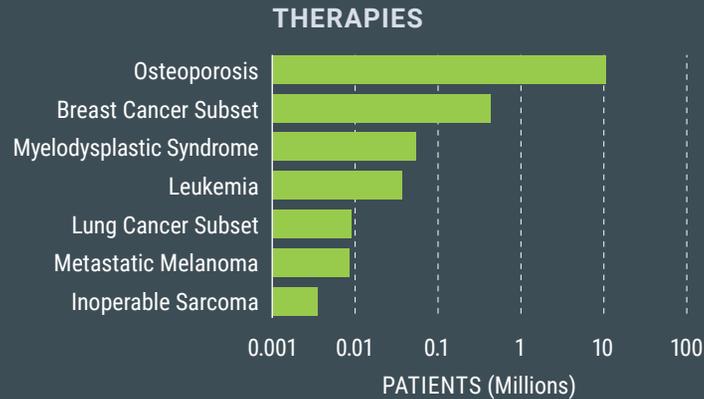
**Jonathan Thomas**  
President  
Chief Executive Officer

## What's Old Is New Again

Last spring as most news was focused on the COVID-19 pandemic, a group of Stowers scientists were instead reporting their findings from a research project that may provide a promising new strategy to overcome drug resistance in leukemia using targeted doses of the widely used chemotherapy drug doxorubicin. The findings are the result of a decade-spanning collaborative effort among researchers at the Stowers Institute for Medical Research, Children's Mercy, the University of Kansas Cancer Center, and other institutions, evolving from studies in Linheng Li's laboratory at Stowers where first author John Perry, Ph.D., completed his postdoctoral fellowship.

The researchers found that low doses of doxorubicin, a standard treatment for several types of cancer, including leukemia, inhibit two molecular pathways that work closely together to promote tumor growth and resistance to therapy. The team also found that low-dose, but not high-dose, doxorubicin activated anticancer immunity against therapy-resistant leukemia stem cells, an unexpected and novel discovery. The research holds promise as a more effective strategy to overcome cancer therapy resistance and stimulate immunity that can be used in combination with other cancer therapies, including chemotherapy, radiation and immunotherapy for patients with leukemia and other types of cancer. Low-dose doxorubicin also avoids the harsh side effects of high-dose doxorubicin, potentially offering patients a better quality of life.

# Potential Impact of Research



## BY THE NUMBERS

4 National Academy of Science members

1 Howard Hughes Medical Institute investigator

7 Academy of Arts and Science Fellows

70 Scientists Providing Core Support

60 Postdoctoral Researchers and Fellows

80 Technicians and Research Specialists

550 Staff Members

Source: National Osteoporosis Foundation, National Cancer Institute, Aplastic Anemia & Myelodysplastic Syndrome International Foundation, Leukemia & Lymphoma Society, American Lung Association, Centers for Disease Control and Prevention, National Institute on Aging, American Association of Neurological Surgeons, Alzheimer's Association, Right Diagnosis, National Institute of Dental and Craniofacial Research, Medical Home Portal, Center for International Blood & Marrow Transplant Research.

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# End Notes

## Health Care

<sup>1</sup>"World Bank and WHO: Half the world lacks access to essential health services, 100 million still pushed into extreme poverty because of health expenses," World Health Organization, December 13, 2017.

<sup>2</sup>"World Health Statistics 2020: A Visual Summary," World Health Organization, <https://www.who.int/data/gho/whs-2020-visual-summary>.

<sup>3</sup>"Our World" <https://ourworldindata.org/grapher/total-covid-cases-region?time=2020-01-05..latest>

## Sustainable Living

<sup>4</sup>"Nearly Half the World Lives on Less than \$5.50 a Day," The World Bank, October 17, 2018, <https://www.worldbank.org/en/news/press-release/2018/10/17/nearly-half-the-world-lives-on-less-than-550-a-day>.

<sup>5</sup>"2018 World Hunger and Poverty Facts and Statistics," World Hunger Education Service, <https://www.worldhunger.org/world-hunger-and-poverty-facts-and-statistics/>.

<sup>6</sup>"U.N. Sustainable Development Goal 9 Infographic," The Sustainable Development Goals Report 2020, July 2020, [https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/E\\_Infographic\\_09.pdf](https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/E_Infographic_09.pdf).

## Technological Progress

<sup>7</sup>"Internet World Stats," accessed October 20, 2020. <https://www.internetworldstats.com/stats.htm>.

<sup>8</sup>"World Energy Investment 2020," International Energy Agency (IEA), May 2020, <https://www.iea.org/reports/world-energy-investment-2020/rd-and-technology-innovation>.

<sup>9</sup>"Renewable electricity output (% of total electricity output)," IEA Statistics, The World Bank, <https://data.worldbank.org/indicator/EG.ELC.RNEW.ZS>.

## Education

<sup>10</sup>"The Education Crisis: Being in School Is Not the Same as Learning,"

The World Bank, January 22, 2019, <https://www.worldbank.org/en/news/immersive-story/2019/01/22/pass-or-fail-how-can-the-world-do-its-homework>.

<sup>11</sup>"Education: Every child has the right to learn," UNICEF, <https://www.unicef.org/education>.

<sup>12</sup>"Education is the first step to breaking the cycle of poverty," WE Charity, <https://www.we.org/en-US/our-work/we-schools/we-schools-campaigns-and-curriculum/issues-details/global-education>.

<sup>13</sup>Ibid.

## Environmental Protection

<sup>14</sup>"Hannah Ritchie and Max Roser, "Clean Water," Our World in Data, November 2019, <https://ourworldindata.org/water-access#access-to-safe-drinking-water>.

<sup>15</sup>"Historical GHG Emissions," Climate Watch, [https://www.climatewatchdata.org/ghg-emissions?breakBy=sector&chartType=percentage&end\\_year=2016&source=CAIT&start\\_year=1990](https://www.climatewatchdata.org/ghg-emissions?breakBy=sector&chartType=percentage&end_year=2016&source=CAIT&start_year=1990).

<sup>16</sup>"Scott A. Kulp and Benjamin H. Strauss, "New elevation data triple estimates of global vulnerability to sea-level rise and coastal flooding," Nature Communications 10, 4844 (2019), <https://doi.org/10.1038/s41467-019-12808-z>.

<sup>17</sup>"The Special Report on Global Warming of 1.5 Degrees," The Universal Ecological Fund, <https://feu-us.org/sr15/>.

An aerial photograph of a wind farm situated on a mountain ridge. The wind turbines are white with three blades each, spaced out along the ridge. The landscape is hilly and green, with a dirt road winding through the terrain. A white quote box is overlaid on the right side of the image, containing text and a quote icon. The sky is overcast with grey clouds.

“

We believe that incorporating environmental, social and governance considerations help manage risk and may lead to opportunities otherwise not captured by traditional financial analysis. As such, we believe that ESG integration is aligned with our fiduciary duty to serve our clients.

**Victor Zhang**  
Chief Investment Officer

”



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