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This is the response of The Capital Group Companies, Inc ("CGC") to the Principles of Responsible Ownership released by the Securities and Futures Commission of Hong Kong. Our statement describes our approach to investing and how we believe that this approach incorporates the principles of good stewardship.

CGC's subsidiaries (collectively "Capital Group") are discretionary investment managers with a bottom-up investment process focused on delivering long-term results. Our approach is to integrate stewardship responsibilities into our investment philosophy and research process, rather than assigning them to a separate team. Our investment professionals consider environmental, social and governance (ESG) issues alongside financial and economic indicators in their fundamental analysis of companies and their value. We are well placed to integrate responsible investing into our entire investment process because:

- We are long-term investors underpinned by our own strong culture and code of ethics and private ownership
- We invest in companies we believe have a sustainable business model and good growth prospects
- We have fundamental research capabilities with depth and breadth of experience
- We value trust, built on long-term relationships with companies
- We place emphasis on access and credibility to engage and have dialogue
- We encourage coordination on corporate governance regulatory developments

The following pages explain how we have applied the seven principles of Responsible Ownership in our equity and fixed income investments. We disclose the specific information requested in the guidance to each of the principles. Where we differ to the guidance in our approach, detailed explanations are provided.



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Principle 1: Stewardship

“Investors should establish and report to their stakeholders their policies for discharging their ownership responsibilities.”

We are a long-term, long-only discretionary investment manager with a bottom-up investment process. On-the-ground, globally integrated research is our basis for identifying long-term investment opportunities. We commit substantial resources to global research – our analysts in aggregate make thousands of research visits around the world each year. The strong, long-term relationships our investment professionals develop with a company board and management enable us to maintain an active approach to stewardship of the companies in which we invest on behalf of clients.

For Capital Group, monitoring and engagement with companies are natural aspects to our investment process for both equity and fixed income. Our analysts and portfolio managers engage directly with companies, meeting regularly with senior management and often with other board members such as the Chairman of the Board. This provides us with access to engage with companies on issues of concern. Where they identify an issue relevant to the long-term value of a company, our investment professionals (where appropriate, with the assistance of our corporate governance team) will engage with management on that issue. Management’s response to our questioning – their understanding of the issue and the steps they take to address it and minimise risks – can provide a useful input in assessing the quality of management. Management quality, in turn, is a key factor in our decisions regarding investment in a company.

Our guiding principle as an organisation is always to seek to act in the best long-term interests of – and seek value for – our clients. In line with this over-arching principle we will decide, on a case by case basis, whether our clients’ interests are best served by engaging with companies as recommended by the Principles of Responsible Ownership or by the sale of securities issued by underperforming companies.

We believe that our investment professionals are the individuals with the deepest knowledge and understanding of companies. Therefore in addition to applying an active approach to stewardship and our engagement activity, our investment analysts are also responsible for making proxy voting and corporate actions recommendations for companies in their sector coverage. This ensures that our stewardship activity is aligned with our investment thesis. We do not outsource any part of the proxy voting process except for delivery of our vote instructions.

Capital Group researches companies and invests from a global perspective. As a result, although the Principles of Ownership Responsibilities applies to Hong Kong-listed companies, many of the themes contained in the Principles apply to our investment approach in other markets.



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Principle 2: Monitoring

“Investors should monitor and engage with their investee companies.”

Capital Group’s investment professionals construct portfolios for clients from the bottom up by picking companies based on ideas generated by our in-house analysts. These analysts are given sectors to cover over time and are expected to follow the companies in their coverage for many years – and in so doing, to build up deep relationships and knowledge of these companies at many levels. As well as researching published material, such as annual reports, accounts and announcements, our analysts would typically meet with management, competitors, suppliers and customers in an attempt to identify the best companies to be held on behalf of our clients over the medium to long-term.

As a research-driven organisation, Capital Group asks its analysts to spend a considerable amount of time meeting company management to build up a detailed picture of the company’s business and governance. Our analysts in aggregate make thousands of visits to companies each year including meetings with company management and directors, including, where appropriate, the chairman of the board. As part of their review of company governance, analysts seek to satisfy themselves that an investee company’s management is effective and that the chair and independent directors provide adequate direction and oversight.

This approach is not exclusive to our equity analysts. Fixed income analysts at Capital Group are industry specialists with many years’ experience following industry sectors. They also work closely with their equity counterparts which enhances the ability to have excellent access and contacts with senior and operational management of companies. Corporate bond analysts undertake site visits and research trips to understand company operations, as well as discussions with regulators, politicians, specialists and other expert parties as part of their effort to understand company business models and risk factors.

Analysts typically record significant interactions with a company’s management and submit such reports to an internal research database accessible to Capital Group’s investment professionals, although there is no set format for recording their communications with investee companies.

In deciding how to vote at shareholder meetings we may consider a company’s compliance (or non-compliance) with the Corporate Governance Code under the Hong Kong Listing Rules. Where appropriate, we will consider voting against management if we think the company has failed to justify material non-compliance with the Code.

Members of Capital Group’s corporate governance team and/or investment group may attend selected shareholder meetings each year in person or via a webcast, where we have a particularly large holding or there are issues of significance. We believe it is important to communicate with management if we vote against management or abstain on a vote. However, we are most likely to enter into a dialogue about our concerns privately in advance of the meeting to give management an understanding of our views before an issue is put to vote, in order to minimise potential for loss of shareholder value.

Capital Group does not wish to be inadvertently made an insider by investee companies or brokers and lose its ability to trade securities for our clients without its agreement. Pursuant to our insider trading policy (forming part of the Capital Group Code of Ethics) our analysts must consult a member of the Legal and Compliance Group in the event they inadvertently receive material non-public information. Investment associates must also contact a member of the Legal and Compliance Group in the event that they are asked to go “over the wall” by sharing information with other investment groups within Capital Group. The Legal and Compliance Group has procedures in place to review the information and make an appropriate determination on whether or not to wall cross the Capital Group investment groups.



Principle 3: Intervention

“Investors should consider and establish clear policies on when they will escalate their engagement activities.”

In line with the Principles, we consider that our primary duty to clients is to act in their best financial interests. We will consider intervening where we think it is likely to achieve a better financial outcome for the client. Engagement with company management is part and parcel of our investment process and intervention would be a natural extension of this approach where there are issues of concern to our investment professionals. The circumstances will vary but could include corporate acquisitions, changes of strategy, executive remuneration, plans to raise capital, or to distribute returns to shareholders.

Alternatively, if we believe it is in the best financial interests of the client, we may sell the shares or bonds of a company rather than intervene. The appropriate course of action is at the discretion of our investment professionals.

We engage in a dialogue with the management of companies concerning their strategy, operational performance, capital structure, governance and board composition, remuneration or other issues (including responsible investment issues) if we consider they will have a material impact on shareholder value. We believe that direct dialogue is usually a more effective and constructive approach to solving problems, avoiding the risk of damage to investor value caused by polarised public positions.

The effectiveness and outcome of each engagement will be assessed on a case-by-case basis by our investment group. One of the criteria for assessment is the responsiveness of company management to the views of investors. Our corporate governance team tracks engagement activity and whether or not the outcome was positive.

If direct dialogue with management has failed to achieve the desired outcome and we wish to retain the investment in the company concerned, we consider carefully whether taking further action could lead to a better outcome for creditors and shareholders. This action can take many forms, including holding additional meetings with management specifically to discuss concerns, or raising the matter with non-executive directors (including its senior independent director or chairman), or the company’s advisers. Occasionally we may also work with other investors where we believe this is the appropriate course and will benefit our clients, and consistent with applicable legal constraints.

In line with our low profile, we do not generally issue statements or campaign publicly on issues. We are also unlikely to requisition a shareholder meeting or submit a shareholder resolution other than in exceptional circumstances.



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Principle 4: Voting

"Investors should have clear policies on voting guidance."

Capital Group considers proxy voting an important part of its investment process, and as such, aims to vote all proxies on behalf of clients in accounts for which it has proxy voting authority. We seek always to vote in the best interest of clients. Our full proxy voting policy is available on our website.

We aim to vote at all meetings of companies in which our clients hold shares. In some cases, we may choose not to vote. This is usually caused by our desire to retain the right to sell our shares in a small number of countries in which share-blocking is applied (share blocking is the prohibition of the sale of voted shares until after the date of the relevant shareholder meeting). We may use securities lending as a way to increase return to our clients. We will recall the security on loan if we believe that it is in the client's interest to recall the security and forgo the lending revenue.

We rely primarily on our own proprietary research in evaluating companies. To provide supplementary analysis of resolutions at shareholder meetings, we receive proxy research from ISS and Glass Lewis. However voting decisions are made according to our internal voting policy and analyst recommendations. Proxy issues are evaluated on their merits and considered in the context of the analyst's knowledge of a company, its current management, management's past record, and Capital Group's internal proxy guidelines. In addition, many proxy issues are reviewed and voted on by our Proxy Voting Committees comprised primarily of investment professionals, bringing a wide range of experience and views to bear on each decision.

We will vote against management on proposals where we perceive a conflict may exist between management and shareholder interests, such as those that may be overly protective of management or diminish shareholder rights. We also vote against management in cases where the facts and circumstances indicate that the proposal is not in shareholders' best interests, or where the company has not provided adequate disclosure regarding the proxy resolution.

We will often contact a company to request further information on resolutions or to convey our opinion. As discussed under Principle 2 above, where we intend to vote against management, we often aim to discuss our concerns with the company before we cast our vote.



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Principle 5: Acting Collectively

“Investors should be willing to act collectively with other investors where appropriate.”

If direct dialogue with management has failed to achieve the desired outcome and we wish to retain the investment in the company concerned, we consider carefully whether taking further action is likely to lead to a better outcome for investors. This may lead to working with other investors where we believe this will increase value for shareholders or creditors.

Occasionally we may also work with other investors where we believe this is the appropriate course and will benefit our clients, and consistent with applicable legal constraints. We have collaborated with other investors on initiatives to improve the framework for universal investors, for example, improving the process for voting at shareholder meetings. By joining forces with other investors we believe that we can influence participants in the voting process to improve disclosure and the mechanics of the voting system.

However we are unlikely to join public campaigns. The “acting in concert” rules and market abuse regulations may in some cases be a potential barrier that can prevent or inhibit collaboration with other investors, particularly across borders, as rules vary in different markets.



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Principle 6: Reporting

“Investors should report to their stakeholders on how they have discharged their ownership responsibilities.”

We publish quarterly reports, available to our clients, which provide an overview of our engagement activities including particular issues that have arisen and our approach to them. Our corporate governance team maintains records of engagement activity, as well as examples of how we have integrated ESG considerations into investment decisions. In addition to reporting an overview of this activity we regularly discuss specific issues with clients in more detail on their request.

We produce detailed quarterly proxy voting reports, which are available to all clients for whom we have the authority to vote. These reports detail the shareholder meetings held during the period in respect of securities held by our client and provide details on how the votes have been cast. Report formats are available which show votes cast against management and abstentions with the reasoning behind this decision and an overall statistical summary of all votes cast.



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Principle 7: Conflicts of Interest

“When investing on behalf of clients, investors should have policies on managing conflicts of interests.”

CGC is privately owned by employees and recent retirees and is engaged solely in the business of investment management. Unlike many other investment management organisations, we are not part of a diversified financial services company that also provides investment banking, consulting or custodial services. As a result, we believe that we are considerably less likely to encounter situations where our interests conflict with those of a client or where the interests of our clients diverge. However, should a material conflict of interest arise, our policy would be to resolve it fairly in the best interests of the client.

Capital Group’s associates must adhere to the Capital Group Code of Ethics and are responsible for maintaining the very highest ethical standards when conducting business. In keeping with these standards, associates must always place the interests of our clients ahead of those of the firm and their own. Key policies embody this principle including strict rules prohibiting insider dealing and restricting personal trading, political contributions and business-related gifts and entertainment.

To prevent undue influence by clients on proxy voting decisions, Capital Group has a procedure in place to scrutinise voting decisions in which clients with significant assets under management have an interest. We apply this procedure to proxy voting of shares in Hong Kong-listed companies. A client may have an interest in a vote by reason of being the portfolio company concerned or by having demonstrated an interest in the outcome of a vote by tabling a shareholder resolution, publicly campaigning or directly attempting to influence our decision. When voting these proxies, Capital Group analyses issues on their merits in accordance with its normal procedures, without considering any client relationship in a way that interferes with its responsibility to vote proxies in the best interests of all clients. In addition, a Special Review Committee reviews proxy decisions involving material clients for improper influences on the decision-making process and takes appropriate action, if necessary.

Moreover, where a Capital Group employee involved in making a voting decision has a material interest in the outcome, either directly or through a close relative, they are required to disclose this and where appropriate, to abstain from taking any further part in the decision.