



**The Capital Group Companies, Inc.**  
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November 14, 2018

**VIA ELECTRONIC SUBMISSION**

Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: SEC Staff Roundtable on the Proxy Process (File No. 4-725)**

Mr. Fields:

We are writing on behalf of The Capital Group Companies, one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The vast majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies distributed through financial intermediaries and held by individuals and institutions across different types of accounts.

We endorse the U.S. Securities and Exchange Commission's review of the proxy voting system. As a steward of millions of families' savings, we take our contribution to the successful governance of modern business enterprises very seriously. Sound corporate governance means that the companies we invest in on behalf of our investors have the appropriate policies, checks and balances in place to ensure the entity is run in the best interest of its shareholders, employees and other relevant stakeholders. We view proxy voting as an integral part of the process to assess corporate governance. The directors of the mutual funds we manage have delegated proxy voting responsibilities to us recognizing that proxy voting is a key aspect of the investment process. The fund boards maintain ongoing oversight of this function and have established a committee to oversee proxy voting.

Accordingly, we have implemented a process to vote proxies for the funds and accounts we manage in a manner that is in the best interest of our clients and we devote substantial resources to the area. As noted further below, we believe certain improvements to the voting process could help the system function more efficiently, thereby benefiting investors.

## **1. Voting process**

The Commission should review the process in place to distribute proxies to shareholders. Today when mutual funds issue proxies, shareholders are mailed a paper notice with voting instructions under the current notice and access rules. Given the widespread adoption of digital communications, the Commission should permit issuers to provide notice electronically with a direct link to the full proxy statement and the ballot. We believe this would help increase shareholder participation because it would provide a more streamlined process to vote shares. It would also help reduce expenses borne by mutual fund shareholders. For example, the most recent proxy issued by the American Funds cost more than \$40 million to print and mail paper notices. Relying more on electronic communications, while preserving the option of paper notices for those who elect it, would reduce this cost substantially.

In addition, the Commission should review the current process to distribute proxies to investors holding their shares with intermediaries. SEC rules require funds to reimburse intermediaries for reasonable expenses incurred in forwarding proxies to beneficial owners of shares. Today, mutual funds are charged for distributing proxies using rates established by the NYSE that have been in place for many years. The Commission should review the current structure to ensure it appropriately recognizes the costs associated with proxy mailings and provide funds with more flexibility to negotiate the price of delivery services, as fund families do in other contexts where they engage with a third-party provider. More specifically, the current fee schedule should be modernized to account for investors who have elected electronic delivery of documents. See our comment letter on Processing Fees Charged by Intermediaries - File No. S7-13-18.

## **2. Retail shareholder participation**

In announcing the Proxy Roundtable the Commission asked whether retail shareholders could be more engaged in the proxy voting process. We believe that the relatively low levels of retail investor participation in the voting process are in part driven by the manner in which proxies are distributed. As noted above, a single digital communication allowing the investor to receive proxy information and vote would be more effective.

The announcement also notes that for mutual funds “some have suggested that fund shareholders should have a means of providing input into how the fund adviser votes its portfolio securities.” Mutual fund shareholders invest in funds because they want an experienced, professional money manager to select and manage a portfolio of securities on their behalf. Fund investors receive information on the adviser’s proxy voting principles through fund prospectuses with more information available on fund websites. In addition, mutual fund boards monitor proxy voting activities to ensure proxies are voted in the best interest of shareholders.

We believe that investors are comfortable relying on fund managers to vote proxies and on the fund’s board of directors to oversee the voting principles. Providing investors the opportunity for more direct input on proxies issued by individual companies is inconsistent with this framework and would be problematic to implement for many reasons, principally because funds may not have access to individual shareholder data when shares are held through a financial intermediary. Even if such impediments could be overcome, the costs imposed on fund shareholders would be immense with little benefit.

## **3. Shareholder proposals**

We believe that the shareholder proposal process plays an important role in the engagement process with U.S. public companies and submission thresholds should not create insurmountable hurdles for investors with a meaningful economic interest in the company. However, the thresholds for submission and resubmission of these proposals are outdated and the Commission should consider refreshment of the ownership threshold, holding

period and resubmission framework. In considering the appropriate thresholds it is important to balance the interests of investors with the administrative burdens placed on issuers.

#### **4. Proxy advisory firms**

We are aware that some have advocated for more oversight and regulation of proxy advisory firms. As noted above, we assess proxies ourselves and do not rely on third party recommendations. In some cases we utilize research provided by proxy advisory firms and have a process in place to assess the information they provide and evaluate potential conflicts that could inform their research findings. We believe firms utilizing proxy advisers should have a process to assess their recommendations and evaluate potential conflicts of interest arising from other firm activities. The 2014 Staff Legal Bulletin<sup>1</sup>, provides a good framework for advisers to assess the services provided by proxy advisers and evaluate potential conflicts.

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<sup>1</sup> SEC Staff Legal Bulletin No. 20, Proxy Voting: Proxy Voting Responsibilities of Investment Advisers and Availability of Exemptions from the Proxy Rules for Proxy Advisory Firms (June 30, 2014).

If you have any questions, please feel free to contact Paul F. Roye at (213) 615-0418 or Gretchen Pfizenmayer at (213) 615-0066.

Sincerely,  


Paul F. Roye

Senior Vice President  
Capital Research and Management Company

  
Gretchen Pfizenmayer

Assistant Vice President  
Capital Research and Management Company

cc: The Hon. Jay Clayton  
The Hon. Robert J. Jackson Jr.  
The Hon. Hester M. Peirce  
The Hon. Elad L. Roisman  
The Hon. Kara M. Stein  
Dalia Blass, Director, Division of Investment Management