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Corporate and Investor Communications Department
Hong Kong Exchanges & Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Via Email: response@hkex.com.hk

Concept Paper on Weighted Voting Rights ("Concept Paper")

Dear Sir/Madam,

British Columbia Investment Management Corporation (bcIMC) welcomes the opportunity to respond to the Concept Paper on Weighted Voting Rights published by the Hong Kong Exchanges and Clearing (HKEx) on August 29, 2014.

bcIMC is an asset manager with more than $114 billion in assets under management, the fourth largest institutional investor in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our Canadian province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong, stable financial returns.

As a member of the Asian Corporate Governance Association (ACGA), bcIMC supports the ACGA submission to the HKEx supporting the position that listed companies must ensure that the voting power of their shares bears a reasonable relationship to the equity interest those shares represent in line with the "one-share, one-vote principle".

Dual class share structures result in inequality between classes of shareholders, especially when some shareholders have greater voting rights and powers than others. bcIMC has long advocated for companies to adopt a single class of shares with a one share-one vote structure where economic interest and voting interest are the same. Over the years, bcIMC has lobbied for the collapse of such structures.

We believe that many shareholders share our views on dual class shares. Furthermore, the CFA Institute endorses a one-share, one-vote standard stating that "*a structure that permits one group of shareowners disproportionate votes per share creates the potential for a minority shareowner to override the wishes of the majority of owners for personal interest*".[1]

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[1] CFA Institute (2014) "Policy Positions and Research – Voting Rights" [On-line] http://www.cfainstitute.org/ethics/topics/Pages/voting_rights.aspx

The main arguments and disadvantages of such structures supporting our position are as follow:

- Dual class share (DCS) companies benefit from accessing public capital and maintaining control of the company while passing off the majority of the financial risk to minority shareholders.
- As the holders of the multiple voting shares (MVS) have the power to elect or replace board directors, DCS structures may result in a non-assertive board which does not represent the interest of minority shareholders;
- DCS structures can reduce the board's ability to hold management accountable on behalf of all shareholders and entrench underperforming management;
- Studies demonstrate that controlled companies that have unequal voting rights underperform over time. A recent study on controlled companies in the S&P 1500 conducted by the Investor Responsibility Research Center (IRRC) Institute in the United States in partnership with Institutional Shareholders Services (ISS) reaches that conclusion after having assessed performance and risks over a 10 year period[2].
- Such structures can destroy shareholder value as it can allow for holders of MVS to divert cash flows, funds and/or assets from the DCS company for projects that do not benefit all shareholders or for the benefit of the controlling shareholders.

We would also like to emphasize that in many ways Hong Kong has been a leader in the capital markets in part due to the high standards that it requires its listed companies to adhere to. The implementation of rules allowing this kind of structures would, in our opinion, denigrate from Hong Kong's stature in the capital markets and would be a very disappointing step backwards.

Please feel free to reach out to our Manager of Shareholder Engagement, [redacted] ([redacted]) as you consider these comments or if you require further clarification. I appreciate your time and consideration.

Regards,

[redacted]

Bryan Thomson
Senior Vice President, Public Equities

[2] Investor Responsibility Research Center (IRRC) Institute, and Institutional Shareholder Services (ISS) Inc (2012) "Controlled companies in the Standard & Poor's 1500: A Ten Year Performance and Risk Review" [On-line] http://www.irrcinstitute.org/