

23 March 2018

Corporate and Investor Communications Department  
Hong Kong Exchanges and Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong  
Via email: [response@hkex.com.hk](mailto:response@hkex.com.hk)

Re: Emerging and Innovative Companies CP

Dear Sir or Madam,

The Australian Council of Superannuation Investors (ACSI) is pleased to respond to the Hong Kong Exchanges and Clearing Limited (HKEX) consultation paper (CP) on *A Listing Regime for Companies from Emerging and Innovative Sectors*. Our comments focus on Chapter 3 *Issuers with WVR Structures* and briefly Chapter 4 *Secondary listings of qualifying issuers*.

#### About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 38 Australian and international asset owners and institutional investors. Collectively, they manage over \$2.2 trillion in assets.

Our members believe that ESG risks and opportunities, and the market upon which companies operate within, have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them. Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

As fiduciaries, it is incumbent upon our members to consider all long-term investment drivers. ACSI believes the formal and informal ownership rights that accrue to investors (in particular, voting rights and the ability to engage with investee companies) have genuine economic value, and their exercise can materially improve investment outcomes. Long-term investors, therefore, have a responsibility to exercise these ownership rights judiciously as part of their stewardship of assets on their beneficiaries' behalves.

Our comments below are informed by these beliefs.

#### Issuers with Weighted Voting Rights (WVR) Structures

ACSI, and our members, strongly believe corporate governance structures and practices should protect and enhance the board's accountability to shareholders. Companies and the financial market system should not disenfranchise shareholders or inhibit shareholder participation in company meetings.

ACSI supports a "one share, one vote" capital structure<sup>1</sup> and share your view that this is the "optimum method of empowering shareholders and aligning their interests in a company".

Therefore, we are opposed to WVR structures, because they:

- separate economic ownership from voting power and therefore disenfranchise shareholders,
- erode board and management accountability to shareholders, and
- entrench management and certain shareholders, thereby creating long-term inefficiencies and weakening the market for corporate control.

So, we are fundamentally opposed to the proposals under chapter 3.

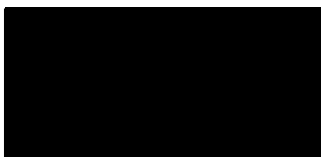
However, if HKEX ultimately decides to permit WVR structures, ACSI broadly supports the implementation of investor safeguards outlined in the CP. We would strongly encourage strengthening these by adding requirements to have defined-period sunset provisions for WVR structures after which time voting rights become equal.

#### Secondary Listings of Qualifying Issuers

Given our support for "one share, one vote" structures outlined above, we also do not believe a company should be allowed to have a secondary listing on the HKEX that has a WVR share structure, as proposed under chapter 4.

Thank you for considering our submission. Please contact me at [REDACTED] or [REDACTED] if you wish to discuss this further.

Yours sincerely,



Mike Harut  
Manager, Equities Research and Engagement

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<sup>1</sup> [ACSI Governance Guidelines](#), November 2017, page 21