

Dear Sir

M&G Investment Management is a leading international asset manager, known for its long-term and conviction-led approach to investing. At the 31<sup>st</sup> December 2016 we managed \$327bn in equities, multi-asset, fixed income, real estate and cash for clients across Europe and Asia.

We are members of the Asian Corporate Governance Association (ACGA) and support their submission to this consultation.

As global investors a key element in our investment process is analysing the corporate governance at both the corporate and country level. The level of shareholder protection is a crucial element of this. Weighted Voting Rights (WVR) fundamentally undermine the level of protection that we, as investors, receive and is something that we strongly oppose. Whilst we can choose to not invest in companies with WVR, and the indices will initially exclude companies with WVR, our concern is that over time this will change and that as companies with WVR become more common, there will be growing pressure to allow them onto the Main Board. We fear permitting them on the New Board is simply a first step in allowing them on the Main Board and not enough consideration has been made of this point. This would result in the Hong Kong equity market as a whole becoming fundamentally less attractive and force us to consider the level of our investments in the market – we are global investors who have freedom to choose which market to invest in. With many other investors sharing our concern we fear the ultimate impact from the introduction of WVR, via the proposed New Board, is a reduction in the valuation for all companies in Hong Kong.

We appreciate the commercial pressures that stock exchanges globally face but do not believe this is the correct response. The proposals appear to be made in the interest of issuers and intermediaries rather than investors. It will trigger other stock exchanges to follow suit leading to no sustained advantage for Hong Kong and at the cost of a permanent reduction in the level of corporate governance. In the same way it is a competitive market to attract corporates for listing purposes it is also a competitive market to attract investor's capital.

With respect to your other proposals we are supportive of dropping the requirement for companies to be profitable before listing (and see no requirement to limit this to the New Board). We are much more sceptical of allowing Mainland Chinese companies to have a secondary listing in HK on the New Board without meeting the current HK requirements for the same reason as our concerns over WVR – it is a first step in normalising a deterioration in shareholder protection and could lead to a fundamental weakening in the overall corporate governance in HK.

Please contact us if you wish to discuss our submission.

Kind regards

Simon Bailey

**Simon Bailey**

Director of Corporate Finance and Stewardship

M&G Investments | Laurence Pountney Hill, London EC4R 0HH

