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Dear Sir

We are writing in response to the Joint Consultation Paper on Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation.

M&G is a global asset management company owned by Prudential PLC, the global financial services group. M&G's total assets under management are approximately \$350bn. We have invested in Hong Kong, and across Asia, for many years and our total investment in companies listed in Hong Kong currently totals HK\$7.7bn.

We are very supportive of the goal of enhancing Hong Kong's regulatory regime and believe the consultation process is an encouraging step towards positive change. We hope the consultation reflects an on-going desire to benchmark standards with other listing regimes and to listen to all stakeholders when deciding on policy.

As global investors we are particularly mindful of the difference in regulatory regimes that exist by market. Hong Kong Exchanges and Clearing (HKEx) is unusual in being both an exchange and a regulator. This causes a potential conflict of interest and has led to some unfortunate historic decisions and policies. To re-establish investor confidence it is vital to increase the level of challenge and support from the Securities and Futures Commission (SFC) as well as evolving the regulatory structure to encourage greater transparency (through steps such as establishing the Listing Policy and Listing Regulatory Committees).

One area that is not sufficiently addressed in the consultation is the role of institutional investors. Despite the vital function they provide as sources of long-term capital, institutional investors have historically been under-represented in the decision making process. As a result areas such as the level of pre-emption protection (typical only at 20% when most other markets are at 10%), the frequently low level of challenge provided by independent directors (too often they are simply selected by the controlling shareholder) and the ongoing number of abusive transactions relating to cash shells (when a company sells their core business and redeploys the proceeds into a completely new business area with limited protection for minority shareholders) continue to need urgent review. Institutional investors should be materially more involved in the ongoing regulatory process to ensure a more equitable reflection of all stakeholders' interests is considered.

Regulatory improvements will benefit more than just institutional investors. Greater investor protection will over time contribute to a reduction in the cost of capital for companies and have a positive impact on the valuation of the market as a whole.

We are members of the Asian Corporate Governance Association (ACGA) and attach their submission. We are very supportive of their recommendations.

Kind regards

Simon Bailey

Director of Corporate Finance and Stewardship

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