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Singapore Exchange Limited
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Singapore 138589
Attn: Listing Policy & product Admission

Via Email: listingrules@sgx.com

Response to the Consultation Paper on Possible Listing Framework for Dual Class Share (DCS) Structures

Dear Sir or Madam,

We welcome the opportunity to respond to the Consultation Paper.

British Columbia Investment Management Corporation (bcIMC) is an asset manager with more than $121 billion Canadian dollars in assets under management, one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 535,000 people in our Canadian province. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a long-tem investor, bcIMC relies on well-functioning capital markets. We see it as our responsibility to contribute to the overall stability of the financial system. As an active participant in the capital markets, we address systemic risks with the expectation that our efforts will lead to greater stability and integrity within the markets. We regularly engage with regulators and advocate for legal and regulatory changes to ensure that principles of good governance are integrated into the regulatory framework.

bcIMC firmly believes in the "one share, one vote" principle and we strongly advocate for the SGX to preserve this listing standard. As an active and long-time member of the Asian Corporate Governance Association (ACGA), as well as a member of the Council of Institutional Investors (CII), we are fully supportive of these respective organizations submissions. Similarly, we are opting to only respond to Question 1 of the consultation as we do not believe that safeguards merit consideration.

Dual class share (DCS) 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 in different jurisdictions.

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]

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

- Dual class share 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. After having assessed performance and risks over a 10 year period, a 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) reached the conclusion that controlled companies underperformed with respect to total shareholder returns, revenue growth, return on equity, and dividend payout ratios.[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.

Beyond the impact of such structures on the governance and performance of issuers, we note some recent developments that SGX should consider. The Snap IPO with no voting shares has reinvigorated the debate around the appropriateness of the inclusion of non-voting shares and/or shares with differentiated voting rights in indices. In relation to this, we are encouraging and fully supportive of CII's efforts to more aggressively pursue engagements with exchanges and index providers. As a significant portion of our assets are invested in indices, we also plan on

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

[2] Investor Responsibility Research Center (IRRC) Institute, and Institutional Shareholder Services (ISS) Inc (2016) "Controlled companies in the Standard & Poor's 1500: A Follow-up Review of Performance and Risk" [On-line] https://irrcinstitute.org/wp-content/uploads/2016/03/Controlled-Companies-IRRCI-2015-FINAL-3-16-16.pdf

providing comments to public consultations by index providers such as FTSE Russell and S&P Dow Jones on whether securities with no voting rights should be included in their indices. Leading index providers announcing consultations on this topic sends a very strong signal to market participants. A decision of ineligibility has the potential of being transformative. We hope this will create further momentum to reconsider the inclusion of DCS issuers in main indices. Consequently, we think SGX should maintain its current listing standards.

Finally, we are of the view that allowing dual class share structures would not serve the long-term interests of market participants such as investors. We also believe that this policy shift would translate into poor quality listings and into other exchanges in the region to follow suit. As a result, we consider this is not a suitable policy response to the challenges facing the Singapore Exchange.

In February 2016, we submitted a very supportive response to SGX's consultation on advancing sustainability reporting. We were encouraged by the Exchange wanting to align itself with international best practice in the area of ESG reporting and we appreciated the benefits for all stakeholders concerned. Furthermore, we wanted to acknowledge that by raising the quality of financial reporting with the introduction of the disclosure framework on audit quality indicators, Singapore has provided investors with enhanced assurances. Such leadership in these areas, amongst others, has been recognized by the ranking of the country in Corporate Governance Watch.

To conclude, we would like to emphasize that in many ways Singapore has been a leader in the capital markets in part due to the high corporate governance standards, listing requirements and regulatory enforcement. The implementation of rules allowing dual class share structures would, in our opinion, denigrate Singapore's stature in the capital markets and would be a very disappointing step backwards.

Please feel free to reach out to our Senior Manager for ESG Integration, Jennifer Coulson (jennifer.coulson@bcimc.com) as you consider these comments or if you require further clarification. I appreciate your time and consideration.

Regards,

Bryan Thomson
Senior Vice President, Public Equities