



NORGES BANK
INVESTMENT MANAGEMENT

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

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Our ref.: SN

Proposal for a listing regime for companies from emerging and innovative sectors

We refer to the consultation of the Stock Exchange of Hong Kong Limited ("the Exchange") on a listing regime for companies from emerging and innovative sectors, dated 23 February, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. NBIM is a globally diversified investor with USD 26.6 billion (HKD 207.9 billion) invested in equities listed on the Stock Exchange of Hong Kong at the end of 2017. We have a substantial presence in all major equity markets globally, including in Asia, and we are a member of the Asian Corporate Governance Association (ACGA). We regard the protection of minority shareholder rights as a necessary requirement to safeguard and promote the fund's long-term financial interests.

In our response of 17 August 2017 to the Exchange's "New Board Concept Paper"¹, we highlighted the importance of taking into account the interests of all stakeholders in the listing environment². As a global investor, we recognise the benefits of competition between listing venues for well-functioning markets. NBIM is also supportive of measures that motivate companies to go public, both in the early phase of their life cycles and in more mature stages. However, we are concerned when these measures affect the protection of minority shareholders' rights, for instance with the introduction of unequal voting structures. We are encouraged by an increasing awareness that voting rights are a fundamental issue for all shareholders, as indicated by recent decisions of global index providers to consider voting rights as a criterion for index inclusion.

In the present proposal, the Exchange has opted to allow listings with unequal voting rights. We note that the Exchange proposes certain measures for investor protection. In this

¹ NBIM [response](#) to the Stock Exchange of Hong Kong on the New Board Concept Paper, 8/2017.

² We addressed this issue in "[The Listings Ecosystem: Aligning Incentives](#)", Asset Manager Perspectives 1/2016, Norges Bank Investment Management.

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POSTAL ADDRESS
P.O. Boks 0179 Sentrum,
NO-0107 Oslo

OFFICE ADDRESS
Bankplassen 2,
Oslo, Norway

Tel. +47 24 07 30 00
Fax +47 24 07 30 01
Web www.nbim.no

Registration of
Business Enterprises
NO 937 884 117 MVA



context, we welcome the stated intention to limit unequal voting rights to very special cases. We agree with the statement that "the one share one vote principle continues to be the optimum method of empowering shareholders and aligning their interests in a company".

If unequal voting structures were to be introduced, we would support the proposal that certain matters should always be subject to "one share one vote". We also welcome the safeguards that seek to ensure that unequal voting rights are limited to a few individuals who have contributed to the growth of the business, and are non-transferrable. We agree with the Exchange that allowing corporate entities to benefit from unequal voting rights would be a significant new development and we welcome the Exchange's cautiousness.

To maintain market standards for investor protection, we see the need for additional measures. First, we would like to see a time-based sunset clause for unequal voting rights, in addition to the so-called "natural sunset". Second, we recommend adding related party transactions involving entities associated with holders of weighted voting rights to the list of items that should always be subject to "one share one vote". Furthermore, we would encourage the Exchange to replace the proposed wording "will reserve the right to reject" by a clear statement in the rules that a structure with zero voting rights would not be permitted. Finally, we consider that the proposed investor protection safeguards should apply to both primary listing and secondary listing on the Exchange.

As the Exchange is proposing substantial changes to the listing regime which could increase risks for minority shareholders, it is important for companies listed in Hong Kong to have independent and effective boards. Therefore, we recommend strengthening standards governing the independence of non-executive directors and the assessment of the board.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

Carine Smith Ihenacho
Chief Corporate Governance Officer

Jonas Jølle
Head of Policy Development,
Corporate Governance