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INVESTMENT MANAGEMENT

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(Attention: Listing Policy & Product Admission)
Email: listingrules@sgx.com

Date: 20.04.2018
Your ref.: [Reference]
Our ref.: OKG

Proposed listing framework for dual class share structures

We refer to the consultation of Singapore Exchange Limited ("the Exchange") on a proposed listing framework for dual class share structures, dated 28 March 2018, and 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 SGD 5.21 billion (USD 3.98 billion) invested in equities listed on the Singapore Exchange 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 6 April 2017 on a possible listing framework for dual class share structures, we expressed our concern that allowing unequal voting rights would lower the traditionally high standards of corporate governance and investor protection on the Singapore Exchange. We remain unconvinced of the merits of introducing unequal voting rights on the Singapore Exchange.

We emphasise the importance of taking into account the interests of all stakeholders in the listing environment.¹ As a global investor, we recognise the benefits of competition between listing venues for well-functioning markets. We are 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 rights. 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.

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

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In the present proposal, the Exchange has opted to allow listings with unequal voting rights, allowing a maximum of 10 votes per multiple voting share. We note that the Exchange proposes certain measures for investor protection. In this context, we welcome the strengthening of independence requirements on all key board committees. We note that multiple voting rights are limited to key persons who are already directors of the issuer and to new listings only. We would like to see clearer suitability requirements – based on objective criteria defined at the outset of the new regime – in order to qualify for unequal voting rights. We support the proposal that certain matters should always be subject to “one share one vote” and that multiple voting rights should be non-transferrable.

We see the need for additional measures to protect the rights of minority shareholders. First, we would like to see a time-based sunset clause for unequal voting rights, in addition to the proposed automatic conversion of multiple voting shares if the holder sells part of the interest or ceases to be a director. Second, we recommend against the option to deviate (as proposed in paragraph 4.3 (c)) from the automatic conversion principles (4.3 (a-b)). Third, we suggest that any conversion of multiple voting shares, i.e. not only automatic conversion, must take place on a one-for-one basis. Finally, we recommend adding related party transactions involving entities associated with holders of multiple voting shares, as well as transactions affecting the ratio of multiple voting shares to ordinary shares, to the list of items that should always be subject to the “enhanced voting mechanism”.

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

Ola Peter Gjessing
Senior Analyst

Enclosure: Response to consultation questions (SGX template)

RESPONSE TO CONSULTATION PAPER

Please include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this consultation paper or other policy or rule proposals.

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|--|---|
| Consultation topic: | Proposed Listing Framework for Dual Class Share Structures |
| Date: | 20 April 2018 |
| Name/Organisation: | Norges Bank Investment Management |
| Contact number for any clarifications: | +47 9581 0181 |
| Email address for any clarifications: | okg@nbim.no |
| Statement of interest (if applicable) | |
| Confidentiality | |
| I do not wish to be specifically identified as a respondent. <input type="checkbox"/> | |
| <i>*Please tick only if you do not wish to be specifically identified as a respondent.</i> | |

Question 1. Definition

SGX proposes to introduce the following new definitions:

- (a) “dual class share structure” (“DCS structure”) which refers to a share structure that gives certain shareholders voting rights disproportionate to their shareholding. Shares in one class carry one vote, while shares in another class carry multiple votes;
- (b) “enhanced voting process” which refers to a voting process in a general meeting of the issuer where votes are cast on the basis that one MV share is limited to one vote;
- (c) “multiple voting share” (“MV share”) which refers to a share in a dual class share structure that carries multiple votes with the rights attaching to it specified in the Articles of Association or other constituent documents of the issuer in compliance with Rule 210(10) of the Mainboard Rules. Such share is neither listed nor traded. For the avoidance of doubt, save for multiple voting rights, the rights attaching to each MV share must be the same as the rights attaching to each OV share; and
- (d) “ordinary voting share” (“OV share”) which refers to a share in a dual class share structure that carries one vote with the rights attaching to it specified in the Articles of Association or other constituent documents of the issuer.

Do you agree with the abovementioned definitions?

Feedback: We believe the term “dual class share structure” is unfortunate as it can be confused with “dual listing”. We would prefer a term that explicitly refers to the “differentiated” or “unequal” voting rights which are the core feature of this structure.

Question 2. Suitability requirement

The issuer and the issue manager must establish that the issuer is suitable for listing with a DCS structure. The factors that SGX may take into account include:

- (a) the business model of the company, for example, that the company has a conceptualised long-term plan that contemplates ramping up growth at a fast pace;
- (b) operating track record of the company or business;
- (c) the role and contribution of intended MV shareholders to the success of the company or business;
- (d) how actively involved the intended MV shareholders are in the company or

the business;

- (e) participation by sophisticated investors; and
- (f) other features of the company or business that require a DCS structure.

Do you agree with the requirement that the issuer must establish that it is suitable for listings with a DCS structure? If so, please provide your views on the suitability factors that SGX should consider and reasons for your views.

Feedback: We agree that suitability requirements are necessary. However, we believe the requirements should be based on objective criteria stated at the outset of the new regime, providing visibility and accountability. The current lack of clear suitability requirements provides for discretionary decision making.

Furthermore, the Exchange should at least every three years review how the affected companies comply with the requirements. If the criteria are not met in full, the multiple-vote shares should be converted to one-vote shares on a one-to-one basis.

The Exchange's admission process should be transparent, where the considerations are made public for every review.

Finally, we think it might be prudent to test unequal voting rights on a limited scale initially, for example by only including certain sectors. This would allow the Exchange and market participants to benefit from experience and evaluate after a set period, for instance five years.

Question 3. Moratorium

Do you agree that the holders of MV shares must observe a moratorium on the transfer or disposal of their entire shareholdings in the issuer in respect of their interests in both MV shares and OV shares for at least 12 months after listing?

Feedback: We support the moratorium.

Question 4. Maximum voting differential

- (a) Do you agree that the voting rights attaching to MV shares should be capped at 10 votes per share?

Feedback: We agree that multiple voting rights should be capped, but that 10 votes is excessive. A much lower number of extra votes would provide a lesser imbalance between invested equity capital and voting rights.

- (b) Do you agree that the issuer should not be allowed to change the ratio post-listing?

Feedback: We agree.

Question 5. Rights of OV shareholders

- (a) With regard to the total voting control that OV shareholders can collectively exercise, do you think that OV shareholders must hold: at least 10% the total voting rights of the issuer on a one-share-one-vote basis (Option 1); or at least 10% of the total voting rights of the issuer (Option 2)?

Feedback: We prefer Option 2, which we believe best matches the purpose of the measure, which is to ensure meaningful vote participation by ordinary shareholders.

- (b) Do you agree that OV shareholders holding at least 10% of the total voting rights on a one-share-one-vote basis must be able to convene a general meeting?

Feedback: Yes. The ability to convene a general meeting is an appropriate shareholder right in this context. We support the suggestion that this requirement is on a one-share-one-vote basis, as the right may otherwise not be applicable.

Question 6. Restriction on issuance of MV shares post-listing

- (a) Do you agree that an issuer shall not be allowed to issue MV shares post-listing except in the event of a rights issue? Should the exception be extended to bonus issue, scrip dividends and subdivision and consolidation of shares which do not raise new funds?

Feedback: We agree that MV shares should not be issued post listing except in the case of a rights issue or scrip dividend. The issuance of multiple-vote shares should be limited to the number necessary to maintain the multiple-vote shares' ratio of total votes. No further exception should be allowed. Any share buy-backs should not be allowed to increase the multiple-vote shareholders' ratio of the total votes.

- (b) Under Section 64A of the Companies Act, a public company with a DCS structure shall not undertake any issuance of MV shares unless it is approved by shareholders by a special resolution. Do you agree that the issuance of MV shares must be approved by a special resolution of shareholders at a general meeting?

Feedback: We agree.

- (c) In undertaking any corporate action (including a share buy-back), do you agree that the issuer must ensure that the proportion of the total voting rights of the MV shares as a class against those of the OV shares after the corporate action will not increase above that proportion existing prior to the corporate action?

Feedback: We agree.

Question 7. Automatic conversion of MV shares

- (a) Do you agree that initial holders of MV shares must be directors of the issuer?

Feedback: Yes, we agree this should be a requirement.

- (b) An issuer with a DCS structure must have automatic conversion provisions in its Articles of Association or other constituent documents meeting the following criteria:
- i. If the holder of MV shares sells or transfers part or all of any interest in respect of his MV shares (which, for the avoidance of doubt, would include the beneficial interest and voting rights of the MV shares) to any party (including other holders of MV shares), whether or not for value, such MV shares will be converted into OV shares on a one-for-one basis.
 - ii. If the holder of MV shares ceases to be a director (whether through death, incapacity, retirement, resignation or otherwise), his MV shares will be converted into OV shares on a one-for-one basis.

Do you agree with the abovementioned automatic conversion events? If your answer is no to any of the conversion events, please state the reasons.

Feedback: We agree with the requirements for automatic conversion. However, we additionally believe it should be specified that conversion should always take place on a one-for-one basis, i.e. also independent of any event that triggers automatic conversion. Furthermore, there should be a time-based sunset provision.

- (c) Do you agree that the shareholders can waive the conversion through the Enhanced Voting Process on the basis that one MV share is limited to only one vote?

Feedback: No, waiving the conversion requirement should not be possible. Mandatory conversion is meant as minority investor protection. It would not be appropriate to allow a majority of shareholders to take away protection for other investors. Additionally, a proposal by the company to waive automatic conversion may put shareholders under undue pressure to give up protection.

- (d) Do you agree that the relevant holder of the MV shares, and his associates, should be required to abstain from voting on the resolution?

Feedback: Yes, we agree.

Question 8. Independence element on board committees

Do you agree that the majority of the Audit Committee, Nominating Committee and Remuneration Committee, including the respective chairmen, must be independent?

Feedback: Yes, we agree.

Question 9. Reserved matters under the Enhanced Voting Process

Do you agree that the following matters should require shareholders' approval through the Enhanced Voting Process (i.e. each MV share is limited to one vote)?

- (a) changes to the issuer's Articles of Association or other constituent documents;
- (b) variation of rights attached to any class of shares;
- (c) appointment and removal of independent directors;
- (d) appointment and removal of auditors;
- (e) winding up of the issuer; and
- (f) delisting of the issuer.

You may also propose other matters that should be subject to the Enhanced Voting Process. Please state reasons for your proposal.

Feedback: We agree that the matters listed in 2.2 should require the Enhanced Voting Process. Furthermore, we believe all transactions increasing the ratio of multiple votes to total votes require enhanced voting process (EVP), in addition to transactions with related parties associated with the holder of multiple-vote shares.

Question 10. Disclosure of rights of shareholders

Do you agree that an issuer with a DCS structure should disclose the following additional information?

- (a) The issuer must disclose its DCS structure, holders of MV shares and their respective shareholding and voting percentage both at the point of listing and thereafter, on a continuing basis, in its annual report.
- (b) The shareholders' circular must contain information on the voting rights of each class of shares.
- (c) The issuer must, in its prospectus, disclose the risks of DCS structures, rationale for adoption of its DCS structure, matters subject to the Enhanced Voting Process including implications to holders of OV shares, and key provisions in the Articles of Association or other constituent documents relating to DCS structures in a prominent manner.
- (d) The issuer must include a prominent statement on the cover page of its prospectus, and on a continuing basis, in its announcements (including financial statement announcements), circulars and annual reports, highlighting that the issuer is a company with a DCS structure.

You may also suggest other disclosure requirements and provide reasons for your suggestion.

Feedback: We agree.