

25 April 2018

Loh Boon Chye, Chief Executive Officer
Tan Boon Gin, Chief Regulatory Officer
Singapore Exchange Limited
11 North Buona Vista Drive
#06-07, The Metropolis Tower 2
Singapore 138589

Via Email: listingrules@sgx.com

[Attention: Listing Policy & Product Admission](#)

Re: [SGX's Consultation on Proposed Listing Framework for Dual Class Share Structures](#)

Dear Messrs. Loh and Tan:

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS) in response to your consultation request on whether the Singapore Stock Exchange (SGX) should introduce a dual class share (DCS) structure where some shares have higher voting rights than others. As communicated in our April 14, 2017 response to SGX's 2017 Consultation, we reiterate our recommendation for SGX to preserve its current listing standard supporting equal voting rights for each share. CalSTRS believes the one share, one vote structure is a fundamental tenet of good governance and a capitalist economy.

CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$225.5 billion as of March 31, 2018.¹ We serve the investment and retirement interests of more than 930,000 plan participants and their beneficiaries.² The long-term nature of CalSTRS liabilities, the composition of its portfolio and the Teachers' Retirement Board's fiduciary responsibility to its members, make the fund keenly interested in the rules and regulations that govern the stock market exchanges. CalSTRS has a commitment to healthy public markets and strong corporate governance. As of March 31, 2018 CalSTRS held shares listed on the Singapore Stock Exchange at an approximate market value of \$684 million.

¹ CalSTRS Current Investment Portfolio for the period ending March 31, 2018.
<http://www.calstrs.com/current-investment-portfolio>

² CalSTRS at a Glance, Fact Sheet: <http://www.calstrs.com/sites/main/files/file-attachments/calstrsataglance.pdf>

While CalSTRS maintains our stance against DCS structures, we nonetheless wish to highlight our concerns regarding SGX's proposed safeguards related to these structures. As requested below we have put in the consultation template format the questions we responded to:

Consultation topic:	Proposed Listing Framework for Dual Class Share Structures
Date:	April 18, 2018
Name/Organisation:	California State Teachers' Retirement System
Contact number for any clarifications:	+916-414-7429
Email address for any clarifications:	DChen@CalSTRS.com
Statement of interest (if applicable)	N/A

Question 2. Suitability Requirement

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.

CalSTRS is highly concerned with the opaque and subjective nature of the suitability requirements. Relying on subjective regulator judgement to determine listing eligibility creates market uncertainty and opens the door to appeals and criticism around fairness and consistency. The decision to rely on future published guidance on these factors further complicates the process and carries significant implementation risk, and only creates more uncertainty concerning the actual listing rules and their governance impacts.

Furthermore, proposed suitability factors such as an analysis of the business model, long-term plan, growth projections, and how actively involved the intended multiple vote (MV) shareholders are in the company will be difficult for SGX staff and the Listing Committee to ascertain on anything more than a superficial level. Other factors, such as the unwelcome trend of using participation by "Sophisticated Investors" as a proxy for suitability does not logically hold, and requires mandating and monitoring ongoing disclosure by said Sophisticated Investor of their direct and indirect portfolio holdings and the presence of any contractual or derivative structures.

Lastly, for any of the proposed safeguards to be effective, they must be consistently monitored and enforced by SGX, which creates significant conflict of interest between its commercial and regulatory imperatives.

Question 7. Automatic conversion of Multiple Votes (MV) shares

- a) Do you agree that initial holders of MV shares must be directors of the issuer?
- b) Do you agree with the automatic conversion events set out in paragraphs 4.3(a) and 4.3(b) of this Part III? If your answer is no to any of the conversion events, please state the reasons.
- c) Do you agree that the shareholders can waive the conversion through the Enhanced Voting Process?
- 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?

CalSTRS believes director engagement may prove extremely difficult in practice to monitor and therefore enforce, as directors may cease to be active and remain on the board only in name. Furthermore, we remain concerned of the possibility of individuals holding their MV shares in limited partnerships, trusts, private companies and other vehicles to shift control to another party, creating another complication for SGX to monitor and effectuate in practice. The above factors also call into question what rationale there is for proposing to allow deviations from these safeguards by putting them up to shareholder vote, and further compounds the uncertainty on the length of these structures.

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?

CalSTRS supports, as outlined in our [Corporate Governance Principles](#), the audit, nominating, and remuneration committees to be composed entirely of independent directors, with a minimum committee size of three directors.

Question 9. Reserved matters under the Enhanced Voting Process

Do you agree that the matters listed in paragraph 2.2 of this Part IV should require the Enhanced Voting Process?

Although CalSTRS does not support dual class share structure, we agree with SGX's proposed Rule 730B that the following matters of the issuer must be approved by the shareholders through the Enhanced Voting Process:

- 1) changes to the issuer's Articles of Association or other constituent documents;
- 2) variation of rights attached to any class of shares;
- 3) appointment and removal of independent directors;
- 4) appointment and removal of auditors;
- 5) winding up of the issuer; and

- 6) delisting of the issuer.

Question 10. Disclosure of rights of shareholders

Do you agree that an issuer with a DCS structure should disclose the additional information in paragraphs 1.1 and 1.2 of this Part V?

While we believe this additional disclosure on DCS structures by the issuer is appropriate, we would advocate for SGX to report to the market on a regular—at least annual—basis concerning the status of SGX’s regulatory capacity and actions relative to DCS issuers. This reporting process should provide transparency not just on changes to the rules, but also on the nature and status of any enforcement actions in order to eliminate the information gaps that often rob the market of clarity about expected standards.

Thank you for the opportunity to respond. If you would like to discuss this letter further, please feel free to contact either one of us or Douglas Chen at 916-414-7429, DChen@Calstrs.com.

Sincerely,



Aeisha Mastagni, Co-Interim Director



Brian Rice, Co-Interim Director

Corporate Governance
California State Teachers’ Retirement System