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Date: 31 May 2018

Dear Mr Briand,

RE: MSCI Consultation on the Treatment of Unequal Voting Structures in the MSCI Equity Indexes

I am writing to you on behalf of members of the Investment Association in response to MSCI's consultation on the treatment of unequal shares in MSCI Equity Indexes. The Investment Association represents over 250 UK based asset managers, who collectively manage over £6.9 trillion on behalf of clients in the UK and around the world. Our members are long-term investors in companies listed in the UK and globally.

As we set out to you in our response to the previous MSCI consultation in August 2017, and our letter to MSCI on 21st March 2017 (in relation to the eligibility of Snap Inc for MSCI Indexes), we do not support the use of differential share ownership structures that offer limited or enhanced voting or other ownership structures for certain classes of shareholders, and we strongly support the principle of 'One Share – One Vote'. We also believe that the index providers play a crucial role in protecting investors and maintaining market standards.

We are therefore pleased to support the proposals in this consultation. We believe that the application of a voting power weighting to all constituents in the MSCI equity universe is a comprehensive and pragmatic approach to account for the use of unequal voting structures, and to promote equal voting rights and the 'One Share – One Vote' principle.

Please see below in Annex 1 our full response to the questions in the consultation. Please do not hesitate to contact me if you need any further information or have any questions on our response.

Yours sincerely,

Andrew Ninian

Director, Stewardship and Corporate Governance

ANNEX I

CONSULTATION RESPONSE

Section 1 – Treatment of unequal voting Structures

1. DO YOU AGREE THAT UNEQUAL VOTING SHARES SHOULD REMAIN ELIGIBLE FOR INDEX INCLUSION?

The Investment Association does not support the use of differential share ownership structures which offer limited or enhanced voting or other ownership rights to certain classes of shareholders. We are strong supporters of the concept of 'One Share – One Vote'.

However, we do recognise that unequal voting structures are more prevalent in other markets outside the UK, and that a pragmatic approach should be taken to global standard setting by index providers when promoting 'One Share – One Vote'.

We are therefore supportive of MSCI's proposed approach to take unequal structures into account by weighting them appropriately. Moreover, we believe that MSCI's approach could help to incentivise and promote the concept of equal voting rights by indicating that that is the preferred standard.

2. DO YOU AGREE THAT THE INDEX WEIGHT OF SECURITIES WITH UNEQUAL VOTING STRUCTURES SHOULD BE LINKED TO VOTING POWER?

We are supportive of MSCI's proposals to weight all securities by their voting power. As stated above, we believe that it is important that the use of differential voting structures are discouraged, and that index users are appropriately protected against the governance risks posed by unequal voting structures.

3. IS IT APPROPRIATE TO DELETE SECURITIES WITH ZERO COMPANY VOTING POWER FROM THE MSCI EQUITY INDEXES?

We agree with this approach. As we have outlined in previous responses to MSCI consultations, we do not think that companies with only non-voting shares (and therefore zero company voting power under MSCI's proposed definition) should be eligible for inclusion in an index.

Companies with no voting shares leave shareholders with little to no influence over key corporate decisions like executive remuneration, board composition, dividend payouts, and other strategic issues which all go directly to the heart of basic shareholder rights and long-term value creation. There is also an imbalance where shareholders do not have voting power proportionate to their economic interest in the company. Aside from the clear governance risks associated with the use of non-voting shares, the inclusion of companies with only non-voting shares in an index would unfairly disadvantage those utilising index tracking funds.

We do not support the alternative suggested on page 12 of the consultation document to maintain the securities in the index at a very reduced weight (10% of the free float). Companies with only non-voting shares should be excluded from the index.

Section 2 – Voting Power Adjustment

4. IS THE APPLICATION OF A VOTING POWER ADJUSTMENT AN APPROPRIATE WAY TO REFLECT MISALIGNMENT BETWEEN VOTING POWER AND ECONOMIC INTEREST?

Yes. The principle of 'One Share – One Vote' ensures the equal treatment of all shareholders by allocating control of a company in direct proportion to total economic interest and the level of exposure to investment risk. We are very supportive of MSCI's proposals to use a ratio of economic ownership to voting power to determine index weighting, so that the index reflects where voting power and economic interest are misaligned.

5. IS THE METHOD FOR CALCULATING THE ADJUSTMENT ADEQUATE?

Yes, we believe that the calculation is appropriate.

6. DO YOU AGREE THAT THE VOTES PER SHARE SHOULD BE ZERO IN CASES WHERE VOTING RIGHTS ARE RESTRICTED?

Yes. We consider that all classes of shares should have equal rights to vote on all items on the agenda, and that instances where different share classes have particular voting rights or restrictions should be recognised in the calculation of voting power.

7. DO YOU AGREE WITH THE PROPOSED EXCEPTIONS?

We agree with the proposed exceptions except in relation to loyalty shares. We do not think loyalty shares should be excluded from the voting power calculation as granting additional voting rights to investors based on their tenure as holders conflicts with the 'One Share – One Vote' principle.

Section 3 – Implementation

8. IS IT APPROPRIATE TO GRANT A GRACE PERIOD FOR CURRENT CONSTITUENTS?

We are supportive of allowing a grace period for current constituents. We are also supportive of the November 2018 implementation date for new entrants to indexes.

9. IS A THREE-YEAR GRACE PERIOD SUFFICIENT OR SHOULD MORE TIME BE GIVEN?

We believe that this is a long grace period, and two years would be preferable. We believe two years is proportionate and allows time for companies to implement changes to their share capital structure if appropriate.

10. ARE THE PROPOSED INDEX MAINTENANCE RULES FOR THE VOTE ADJUSTED SECURITY FREE FLOAT APPROPRIATE?

We are supportive of the proposed maintenance rules for the vote adjusted security free float.

11. SHOULD MSCI IMPLEMENT THE CHANGES FOR CURRENT INDEX CONSTITUENTS IN ONE STEP OR WOULD A MULTIPLE STEP TRANSITION BE APPROPRIATE?

We are supportive of the one step approach. This will ensure clarity and publicity for the change to the index rules across the MSCI Equity Universe. The three year grace period will allow sufficient time for transition for all current constituents within the different indexes.