

29 June 2017

## **Re: S&P Dow Jones Indices Consultation on the Eligibility of Non-Voting Share Classes**

We are writing in response to the S&P Dow Jones April 2017 voting rights consultation. We provide our responses in written form here that match our responses through an online survey tool.

CFA Institute believes that Company rules should ensure that each share has one vote. 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.

CFA Institute<sup>1</sup> appreciates the opportunity to offer comments to S&P Dow Jones on their voting rights consultation concerning whether or not to include issuers with zero voting shares in their indices. CFA Institute represents the views of those investment professionals who are its members before standard setters, regulatory authorities, and legislative bodies worldwide about issues affecting the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues affecting the efficiency, integrity and accountability of global financial markets.

### **QUESTIONS:**

#### **1. If the only listed share classes of a company do not have voting rights, should that company be eligible for inclusion in an index?**

No, we do not believe that shares with no voting rights should be included in an index.

---

<sup>1</sup> CFA Institute is a global, not-for-profit professional association of more than 149,000 investment analysts, advisers, portfolio managers, and other investment professionals in 163 countries, of whom nearly 143,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 148 member societies in 73 countries and territories.

- 2. For companies with multiple-class structures where one or more listed share class is non-voting:**
- o **Should only the non-voting share classes be ineligible?**
  - o **Should all share classes be ineligible?**
  - o **Should all share classes be eligible?**

Only non-voting shares should be ineligible for inclusion in an index.

- 3. If the company does not file information statements regarding shareholder ownership, should the company be ineligible for inclusion?**

We believe it is reasonable to expect companies to file information statements regarding shareholder ownership for inclusion in an index. Shareholders need to have adequate information in order to make informed investment decisions.

- 4. If the methodology were to exclude all share classes so the company is not eligible, should current constituents be “grandfathered” and remain in the index?**

We believe it is reasonable to allow companies currently in the index to be grandfathered in to remain in the index. We do not believe that this grandfathering should be indefinite however. Companies currently in the index who would not qualify under new index rules should be given a couple years to change their voting structure in order to qualify under the new rules.

- 5. Should eligibility of non-voting shares differ in benchmark vs investable index families?**

No, we believe that the rules should be the same in benchmark vs investable index families.

- 6. Do you have any additional comments?**

We suggest companies with no voting rights could be placed in a new "governance light" index but not be permitted in existing indexes or commingled with issuers who adhere to full governance / shareholder accountability standards.

This would allow a market solution while not muddling existing index pools with extreme investor disenfranchisement. Indexed investors would largely be relieved of the requirement to own companies with what would be deemed to be poor governance practices or sub optimal shareowner rights.

### **Concluding Remarks**

CFA Institute welcomes the opportunity to offer comments on the issue of shareowner voting rights. Please do not hesitate to contact us should you have any questions concerning our comments.

Yours faithfully,

*/s/ James Allen, CFA*

Head, Capital Markets Policy  
CFA Institute  
434-951-5558  
james.allen@cfainstitute.org

*/s/ Matt Orsagh, CFA*

Director, Capital Markets Policy  
CFA Institute  
434-951-4829  
matt.orsagh@cfainstitute.org