

22 March 2024

Primary Markets Policy Team  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN  
**By email: [cp23-31@fca.org.uk](mailto:cp23-31@fca.org.uk)**

Dear Sir/Madam,

## CONSULTATION PAPER CP23/31 – PRIMARY MARKETS EFFECTIVENESS REVIEW: FEEDBACK TO CP23/10 AND DETAILED PROPOSALS FOR LISTING RULES REFORMS

On behalf of the Australian Council of Superannuation Investors (ACSI), thank you for the opportunity to provide feedback on Consultation Paper CP23/31 and aspects of your proposed Listing Rules Reforms.

### About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members are Australian and international asset owners and institutional investors with over \$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in managing ESG investment risk and exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

### Dual Class Share Structures

ACSI was pleased to respond to FCA Consultation CP23/10: PRIMARY MARKETS EFFECTIVENESS REVIEW – FEEDBACK TO DP22/2 AND PROPOSED EQUITY LISTING RULE REFORMS in June last year. As representatives of large Australian and international asset owners, who are increasingly significant investors in the United Kingdom (UK) market, we see strength in a market that encourages good governance – for which the UK market has long been known.

ACSI, as outlined in our [Governance Guidelines](#), believes that “Corporate governance structures and practices should protect and enhance the board’s accountability to shareholders. Companies should not take any actions which disenfranchise shareholders or inhibit shareholder participation in company meetings. We support a ‘one share, one vote’ capital structure”. One share one vote supports equitability – of both rights and responsibilities. We remain of the view that the case for removing these protections has not been sufficiently evidenced by the FCA’s consultation papers. We were further surprised that the proposal to include a time-related sunset provision for any alternative share structure had been removed.

The UK has long been an attractive market for international investors. A large part of this draws from the robust investor protections and governance framework formed by the FCA and Financial Reporting Council (FRC) and the premium listing regime. With many regulations encouraging active ownership, such as the UK Stewardship Code, we do not support proposals that effectively restrict insight and engagement by investors.

A ‘one share, one vote’ approach encourages and requires a focus on the central investor duty to appropriately steward companies. It encourages effective market functioning and accountability on important governance issues, for example board composition and corporate actions. Our view is that shareholders should be treated equally, with an equal right, and therefore responsibility, to undertake their duty to help steward the company for long-term success.

## Significant Transactions and Related Party Transactions

As with Dual Class Share Structures, we have been disappointed to see the UK's proposals towards disenfranchisement of investors in relation to Significant Transaction and Related Party Transactions.

Just as it is important to ensure that minority shareholders' views are expressed in proportion to their ownership, rather than the potential for their protections to be overridden, so such minority, and larger, investors, should be able to vote on significant transactions proposed by the company.

The 'hurdles' as outlined in the paper, such as the calling of a general meeting, do not appear to be sufficiently significant barriers to override investor involvement. In our view, the concerns about current market functioning do not overcome the importance of investors having the opportunity to make known their views in relation to the company's delivery of its strategy. It should be the right, and role, of investors, to share their views on the benefits and value, or otherwise, of Significant or Related Party Transactions that could well have a substantial effect on company value and outcomes for the retirees who are our members' beneficiaries.

## Conclusion

It is a strong mark of quality to meet the requirements of the UK listing regime and the regulatory environment has made it an attractive market for international investors. We are concerned about the potential erosion of shareholder protections as proposed in this Consultation Paper. As the recent ICGN Statement has reinforced, many UK-based and international investors share this concern. In our view, these proposals will result in an erosion of the UK's reputation as a market with strong investor protections, whilst not necessarily attracting listings as intended. This would be a poor outcome for all market participants.

I trust our comments are of assistance. Please contact me or Hannah Armitage ([harmitage@acsi.org.au](mailto:harmitage@acsi.org.au)) should you require any further information.

Yours faithfully



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Australian Council of Superannuation Investors