10th July 2026

Kristin Brandon
Head of Policy and Regulatory Affairs
New Zealand's Exchange

Submitted via email to policy@nzx.com

Re: Dual Class Shares – Consultation Paper – response from the Investor Coalition for Equal Votes (ICEV)

Dear Ms. Brandon,

The Investor Coalition for Equal Votes (ICEV) comprises global asset owners and managers with approximately $4.5 trillion in assets under management, including investors in New Zealand-listed companies. Our members are concerned about the long-term effects of misalignment between invested capital and shareholder voting rights. We count among our supporters the Australian Council of Superannuation Investors (ACSI), the Asian Corporate Governance Association (ACGA), the International Corporate Governance Network (ICGN), and the Council of Institutional Investors (CII), which co-founded ICEV.

We welcome the opportunity to respond to this consultation, share your commitment to boosting New Zealand's capital markets and appreciate that you have proposed some potential shareholder safeguards at companies with DCSS under the proposed framework.

Here:

1) We share evidence that:
    a. Companies' decisions on listing jurisdiction do not depend on the prevalence, or otherwise, of dual-class share structures (DCSS)
    b. Jurisdictions that have undertaken similar relaxations of DCSS rules have not seen the IPO success they had hoped for
    c. Any benefits to company value from DCSS decline over a period of just a few years after listing
    d. The world's largest investors — whose capital is vital to the liquidity that underpins thriving capital markets — overwhelmingly prefer equal voting rights, or voting rights with a suitable time-based sunset clause
2) We express appreciation for your work to consider potential shareholder safeguards, while noting that our preferred safeguard is a mandatory time-based sunset clause of seven years or less, reflecting the evidence referenced in 1(c) above

Our response

Companies' decisions on listing jurisdiction do not depend on the existence of DCSS

We welcome policymakers' efforts to support healthy, dynamic capital markets. However, our experience of engaging with pre-IPO companies, both as a coalition and individually, together with the available research, indicates that corporate governance standards — including whether DCSS are permitted — are not a key determinant of listing venue choice.

Evidence shows that instead, the primary motivation of companies when choosing a listing jurisdiction is liquidity and valuations. This was one of the key findings of the UK-focused Governance for Growth Investor Campaign (GGIC), which recently undertook a historical analysis of 53 UK-headquartered or UK-focused companies that opted to list, or move their listing, to the US between 2018 and 2025. **Of these 53 firms, only one cited corporate governance standards as a driver for listing in the US**[1].

This is supported by 2023 research conducted by EY and UK Finance, which found that the factors most likely to influence listing venue decisions are investor base, valuation, research coverage, and liquidity. Corporate governance considerations were not among the top five factors for the high-growth companies that NZX and policymakers elsewhere are keen to attract[2].

Countries recently enabling DCSS have not seen the IPO success they had hoped for

As NZX will be aware, several jurisdictions have recently relaxed their approaches to DCSS to try to attract more listings from high-growth companies. However, the evidence to date does not suggest that these changes have delivered the intended results.

In Hong Kong (DCSS since 2018), mainland China (since 2019), and Singapore (since 2018), the period following the relevant rule changes has seen very few listings by companies using DCSS[3]. Although Hong Kong has seen a more recent increase in IPO activity, this followed separate initiatives aimed at encouraging investment from mainland China and should not be attributed to DCSS alone.

In the UK, despite some arguments that there was an IPO pipeline ready to take advantage of UK listing rules changes, including on allowing DCSS in the new single segment, only one company with DCSS (a secondary listing of an established company) has listed on the London Stock Exchange so far[4].

Overall, these reforms have not yet led to an increase in IPO volumes in relevant countries – which aligns with the evidence investors had presented to policymakers as part of their consultation responses, showing that companies make their listing decisions based on other factors than corporate governance standards and shareholder rights mechanisms[5].

Companies with DCSS tend to be undervalued compared to their peers

ICEV's 2023 report with Chronos Sustainability, *Undermining the Shareholder Voice: The Rise and Risks of Unequal Voting Rights*, showed that capital structures providing disproportionate voting rights to founders and other insiders can create long-term performance risk by limiting companies' ability to make necessary leadership changes in response to sustained underperformance[6].

Boards cannot fulfil their fundamental oversight purpose if capital structures are designed to render founders, their favoured board members, and their favoured managers unaccountable to the holders of a

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1 Ggic-parliamentary-briefing.pdf (GGIC, 2025)

2 UK Capital Markets – Building on strong foundations | Policy and Guidance | UK Finance (UK Finance and EY, 2023)

3 Please see Does the dual-class share structure help stock markets attract issuers? (Chen, 2022); The Myth of Dual Class Shares: Lessons from Asia's Financial Centres by Min Yan SSRN (Yan, 2021)

4 See London's IPO Rut: Can Reeves' Stamp Duty, ISA Limit Changes Boost UK Listings? - Bloomberg; London IPO fundraising falls to 30-year low (Financial Times, 2025); The UK and Dual-Class Shares: From Dual-Class Shares Lite to Full Fat (Reddy, 2025)

5 See, for instance, Railpen's submission to CP23/10 on Private Markets Effectiveness (Railpen, 20230)

6 Undermining the Shareholder Voice – the risk and risks of unequal voting rights (ICEV, Chronos Sustainability, 2023)

majority of outstanding shares. **Evidence suggests that the performance risks associated with unequal voting rights increase after only a few years of a company's IPO**.

We view "one share, one vote" structures as the optimal way to mitigate this performance risk but, following the evidence in *Undermining the Shareholder Voice*, we encourage companies that choose not to enter the public markets with proportionate voting rights to incorporate time-based sunset provisions of seven years or less from IPO into their governing documents at the time of going public. **We consider this time-based sunset clause the most important safeguard for shareholder and beneficiary value**, and our preferred approach.

Investors prefer equal voting rights (or a suitable time-based sunset provision)

Healthy financial markets rely both on a steady pipeline of companies *and* a deep pool of investor capital to provide the liquidity that – as we explain above – is one of the most fundamental attractions for companies considering listing in a particular jurisdiction.

ICEV's 2024 report, *Voting on Voting Rights*, brought together the voting policies on DCSS of 31 of the world's largest asset owners and managers, including those headquartered in Asia and Australia[7]. Although investors take a spectrum of approaches — from voting against "dual-class enabling" directors at every company board on which they sit, to supporting "one share, one vote" proposals — **the institutional investor base necessary for thriving, liquid capital markets and long-term value creation is strongly opposed to DCSS**.

We also note the results of a September 2025 survey of international asset-owner Chief Investment Officers (CIOs) and portfolio managers undertaken by the Governance for Growth Investor Campaign (GGIC) and Opinium. The survey found that 97% of respondents said shareholder rights and investor protection mechanisms are either "very important" (61%) or "quite important" when making company-specific investment decisions. In addition, 55% said that the 2024 UK listing rules reforms – which align with much of what NZX has proposed – had made UK-listed companies appear riskier as investment destinations. This is a dynamic and set of findings that NZX should consider carefully[8].

Your proposed shareholder safeguards

We appreciate that NZX has considered and proposed shareholder safeguards if a DCSS is adopted.

However, for the reasons outlined above, we consider the ultimate safeguard for shareholder voice to be a time-based sunset clause of seven years or less after listing. Seven years reflects the evidence on financial materiality and firm value, while also giving a founder or group of insiders sufficient time to implement their chosen strategy following listing, particularly given that companies seeking a public listing today tend to be more mature than was previously the case.

We hope this information is helpful. In addition to the references provided, our covering email attaches copies of our reports for ease of review. We would welcome the opportunity to discuss any of the above issues with you in more detail, or to speak more broadly about the work of our Coalition.

Yours sincerely,

Caroline Escott, **Chair, Investor Coalition for Equal Votes**

Alexander Wolsky, **Vice-Chair, Investor Coalition for Equal Votes**

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[7] Voting on Voting Rights (ICEV, 2024)
[8] Ggic-parliamentary-briefing.pdf (GGIC, 2025)