



Investor Coalition for Equal Votes

Undermining the Shareholder Voice

The rise and risks of unequal
voting rights

Authors and acknowledgements



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RAILPEN

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The Investor Coalition for Equal Votes (ICEV)

In 2022, the CII, Railpen and several US pension funds launched the Investor Coalition for Equal Votes (ICEV). To date, ICEV includes investors with over \$2 trillion in assets, and growing.

ICEV's mission is to leverage our combined knowledge and expertise to challenge the entrenched and material problem of unequal voting rights in an intentional and considered way so that companies operate with a fairer 'one share, one vote' structure and, in doing so, influence long-term financial performance for the better and drive positive financial outcomes for members of pension schemes.

ICEV pursues this mission primarily by engaging with pre-initial public offering (IPO) companies and their advisers, with other financial market participants, and with policymakers and regulators.

ICEV membership is available to long-term institutional investors, including asset owners and asset managers, and to investor-governed, non-profit organisations that support the mission of ICEV and commit to actively supporting ICEV's pursuit of its mission.

To find out more about ICEV, its members and how to join, visit the Coalition's page (pending the launch of ICEV's own website) on Railpen's website at railpen.com/knowledge-hub/our-thinking/2023/icev-one-share-one-vote-1/ or email SO@railpen.com

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In recent years, there has been a significant increase in the number and proportion of initial public offerings (IPOs) that have dual-class share structures. In the three-year period from 2020 to 2022, over 40% of US tech IPOs and almost 20% of US non-tech stock IPOs had dual-class share structures (see Figure 1).

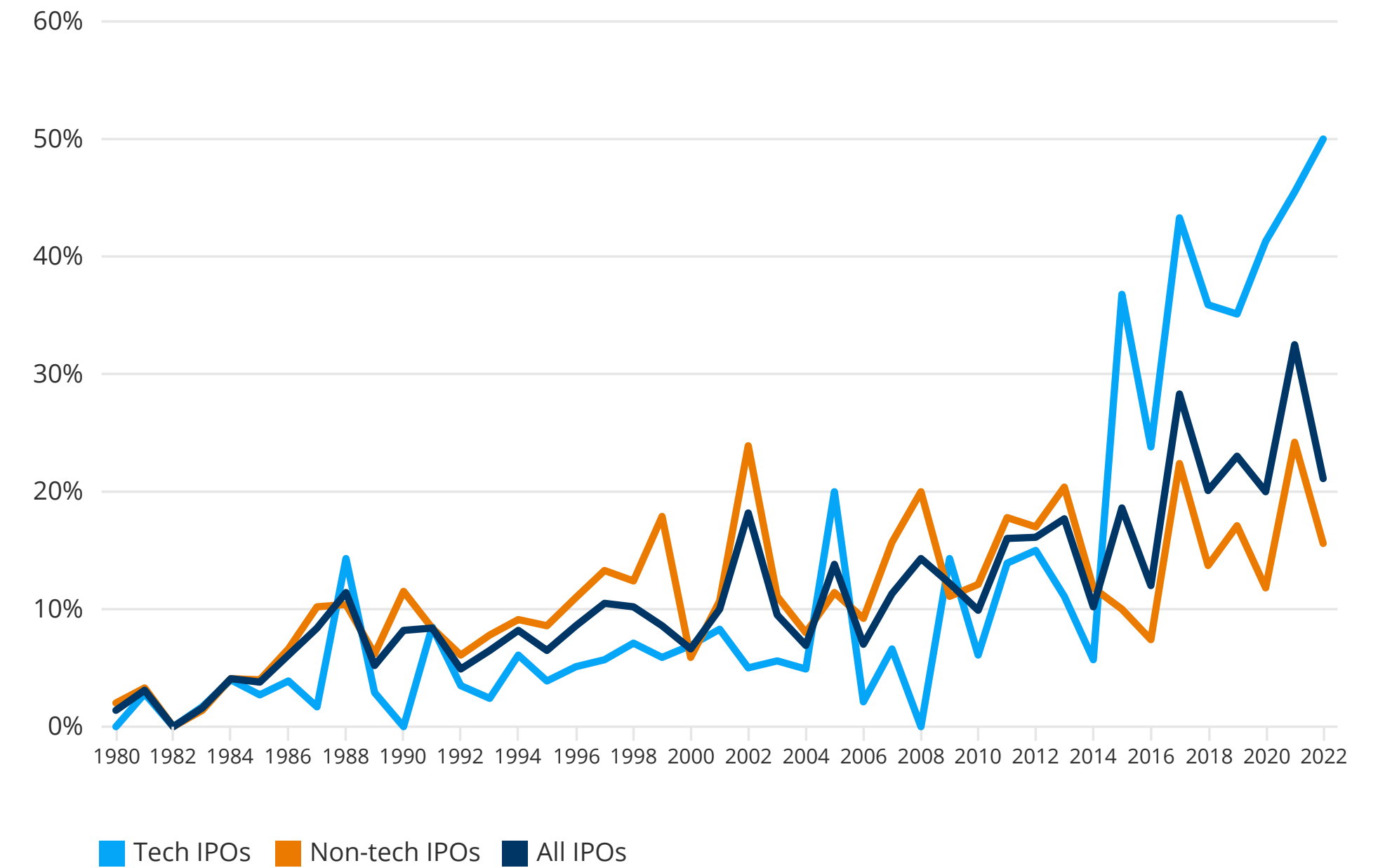
These proportions are significantly larger than the historic averages, with data from ISS indicating that, in 2019, just 7% of US companies in the Russell 3000 Index had a dual- or multiple-class share structure.¹

What are dual-class share structures?

Dual-class share structures (also referred to as dual-class stock or unequal voting rights) are equity structures where a company has issued two or more share classes (e.g. Class A and Class B shares), and these share classes differ in terms of voting rights.

When multiple share classes of stock are issued, the class with limited, if any, voting rights is normally offered to the general public. The classes with more voting rights are typically only offered to insiders such as company founders, executives and family members, allowing them to retain control of the company.

Figure 1: Percentage (%) of dual-class IPOs in tech, non-tech and all IPOs from 1980-2022²



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Why companies adopt dual-class share structures

There are various reasons why companies choose to adopt dual-class share structures. Founders may perceive themselves to be vital to the future success of the company; they may be concerned about potential disruptions from changes in control, and they may be concerned with the amount of control already ceded to private investors at the pre-IPO stage.³ The proponents of dual-class share structures argue that these structures protect the founding shareholders and other beneficiaries of superior voting rights from the vagaries of the stock market, giving them the opportunity to carry out their vision.⁴

The increase in the number of dual-class and other unequal share structures in recent years has been particularly driven by sectors – such as technology – that have historically enjoyed abundant access to capital and promised the rapid achievement of scale. In these sectors, the power of founders relative to that of the traditional ‘gatekeepers’ to the public equity markets (e.g. early-stage investors and underwriters) has grown significantly. This shift has emboldened founders to secure disproportionate control, whereas the power dynamics in previous eras of the financial ecosystem had the effect of limiting potentially damaging impulses. Another important driver has been global competition to attract new IPOs, particularly in the tech sector, which has led policymakers and/or stock exchanges in several financial centres to alter laws or listing

rules and permit listing applicants to adopt dual-class shares. Examples include the European Union, Hong Kong, Singapore, Shanghai and the UK.

One share, one vote principle

The principle that all shareholders should have equal voting rights in public companies and each shareholder should have one vote per share.



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The issues with dual-class share structures

The growth in the prevalence of dual-class share structures and the potential loosening of regulatory requirements around the use of dual-class shares raises important questions for investors concerned about the integrity and operation of capital markets. At the company level, the issue is that small groups of privileged insiders can maintain control, while other shareholders (with less voting power) provide the majority of the capital and bear more of the financial risk.

At the market level, the prevalence of such structures may mean that companies are less willing to engage with investors (and, also, that investors are therefore less willing to engage with companies as stewardship resource has to be directed to where it can have most impact) and may encourage other companies to adopt similar structures, which could reduce the long-term performance of investment markets.



Supporters of dual-class shares, in particular in the tech sector, often argue that such structures are necessary to allow them to innovate and take a long-term approach to the growth and development of their business. Yet, when we look across the tech sector, we see many, many examples of highly successful, innovative companies with one share, one vote structures, suggesting that share class structures may not be particularly relevant to the question of how innovative these companies will be once they have listed.

Gianna McCarthy, New York State Common Retirement Fund



Defenders of dual-class shares claim that the structure allows them to focus more on long-term performance than on short-term returns. This is a specious argument, as there is an easy way to retain control and show shareowners that you have as much at risk as they do - just own 50% of the shares. By adopting a dual-class structure, however, companies are sending the message that they want to control a majority of the votes but not take a majority of the risk.⁵

Matt Orsagh, formerly of CFA Institute

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The purpose of this report

This report explores some of these issues. It reviews the published literature on dual-class shares, examining how they fundamentally damage shareholders' rights as well as the effective functioning of the market as a whole. It also explores several recent case studies of controversies at companies with dual-class shares, and examines the influence of the share structure on the actions of the company and on the ability of investors to positively influence the behaviours of the company on material business and strategic issues.

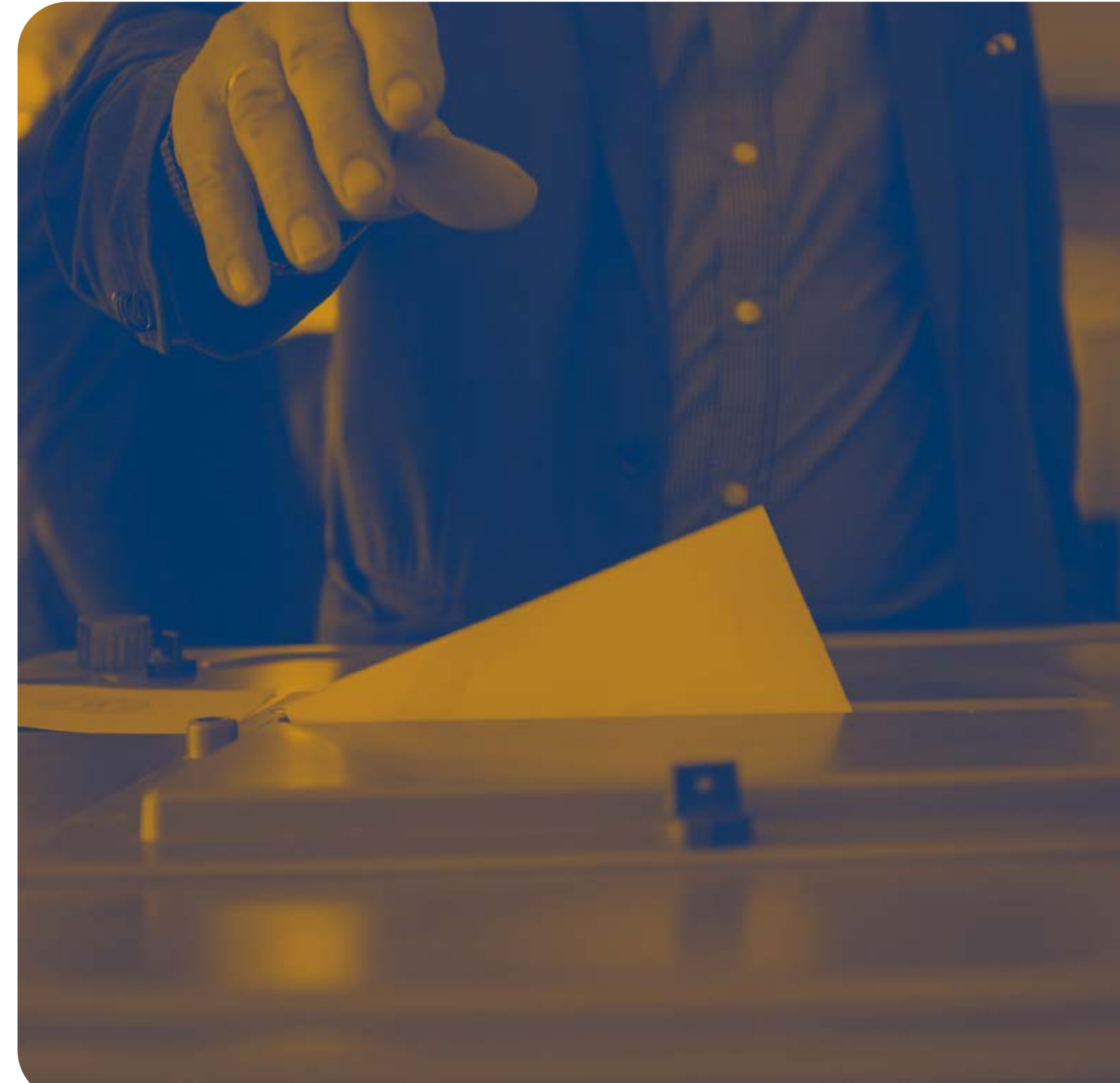
From this analysis, the report offers wider reflections on dual-class shares, and the implications for companies, for investors and for policymakers. It also sets out a series of practical recommendations to investors and

other stakeholders on how they should respond to the general trends on dual-class shares seen in the market and to the specific case of companies looking to publicly list with dual-class share structures.

Case studies

Go to **Appendix 1** for the following:

- Alphabet
- Meta (Facebook)
- News Corp
- Paramount Global
- Peloton
- Rogers
- Sika/Saint-Gobain
- Snap
- Tyson
- WWE



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Shareholder rights allow investors to influence the decisions and actions of the company.

Shareholder rights mean investors can ensure the following:

- The company is run in the interests of its shareholders.
- The company operates productively and efficiently.
- The company is accountable and transparent.
- The risk of financial fraud and mismanagement is minimised.

In conventional company structures, there is usually a linear exchange of voting control for capital, which follows the idea that 'equity' should, in fact, be equitable. This is a fundamental precept of our modern capitalist model.

What are shareholder rights?

Shareholders are granted a range of rights when they own or hold the shares of a company. The specific rights differ between legal jurisdictions, companies, and types of shares but generally include the right to vote on director elections or re-elections, and other significant matters (e.g. changes to the company's capital structure), the right to receive dividends or other distributions from the company, the right to sell shares, the right to vote on specific corporate actions (e.g. takeovers) and the right to receive financial and other information about the company.

Shareholder rights are critical to ensuring that shareholders, who collectively have the strongest interest in protecting company value on behalf of beneficiaries and clients, are able to influence the board to prevent misalignment between the interests of company management and the interests of shareholders (and therefore the end beneficiaries). As such, these rights provide an important mechanism for delivering better financial outcomes.

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Corporate governance sets the framework for the exercise of shareholder rights and aims to ensure that these rights are protected and exercised in a responsible and ethical manner.

There is evidence to show that companies with strong corporate governance practices generally perform better over the long-term⁶. The evidence suggests that such firms are more likely to be attractive to domestic and foreign investors, both because investors' interests are more likely to be protected and because good governance is seen as likely to indicate that a company allocates its resources productively and effectively.⁷

Corporate governance and shareholder rights are closely interrelated. Both:

- are needed to ensure the smooth functioning of a company.
- can help to prevent mismanagement, fraud, and enhance the long-term success and stability of a company.

What is corporate governance?

It's the system of rules, practices, and processes which are used to shape and guide the relationships between a company's management, board, shareholders and other stakeholders.

Corporate governance also provides the structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance.⁸

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The right to vote is perhaps the most important of all shareholder rights, as it helps shareholders prevent misalignment between company management and the interests of shareholders.

Shareholders can vote on various matters. Depending on the jurisdiction, these can include the following:

- The election or re-election of directors.
- The approval of certain company policies e.g. executive compensation packages.
- The approval of dilutive stock issuances.
- The approval of equity compensation plans.
- The approval of certain mergers and acquisitions.

The right to elect the members of a company's board of directors is central to shareholder rights because the board is responsible for overseeing the company, setting its strategic direction, approving major transactions, and ensuring that the company is run in the best interests of its investors. Boards cannot carry out their fundamental oversight purpose if capital structures are designed specifically to render founders, and their favoured board members and managers, unaccountable to the holders of a majority of outstanding shares.

In the case of misalignment or poor decision-making by company management or by board members, the right to vote against the re-election of existing board members to propose candidates and to vote for the election of new board members are crucial safety nets to move the company in the right direction. In a company that operates with a one share, one vote principle, these rights serve as a direct market mechanism for ensuring the board is well-placed to deliver long-term value in line with the interests of a majority of shareholders.

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Long-term investors have raised four primary concerns about dual-class share structures, namely:

- 1** Dual-class share structures undermine shareholder rights and remove a key accountability mechanism for poorly performing management.
- 2** The entrenchment enabled by dual-class structures can hinder long-term financial performance.
- 3** Wider market opposition to dual-class share structures can undermine the relationship between companies and their investors.
- 4** Dual-class share structures can undermine the effective functioning of capital markets.

Concern 1: That dual-class share structures undermine shareholder rights and remove a key accountability mechanism for poorly performing management

Dual-class shares provide the owners of certain share classes with superior voting rights, in turn giving them voting control over a company that is disproportionate to their equity shareholding.

The corollary is that independent (unaffiliated, or outsider) shareholders are correspondingly disempowered, and their influence is significantly less than their holdings in the company.



Dual-class shares effectively enable privileged insiders to manipulate voting rights to their own benefit. This gerrymandering wouldn't be accepted in a political democracy, and should be seen as equally unacceptable in a corporate setting.

Caroline Escott, Railpen and Chair of ICEV

In dual-class share structures, the holders of the share class with superior voting rights are typically the founders and/or their relatives, trusts or other individuals associated with the founder. In some cases, the holder of the superior class also has a managerial role in the company. Under such structures, insiders can control the majority of the voting rights, and exercise de-facto control over the company and its board of directors while owning less – often significantly less – than 50% of the company. Where insiders' voting power significantly outstrips their ownership interest, this can exacerbate principal-agent problems.⁹

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In many companies with dual-class shares, the voting rights granted to these insiders are wholly disproportionate to their economic interest in the company. The case studies presented in the appendix to this report provide multiple illustrations of how significant this disconnect between economic interests and voting rights can be. A number of examples are presented in Table 1.

Table 1: Economic interests vs voting rights¹⁰

Company	Controlling shareholder(s)	Economic interest in the company (approx.)*	Voting rights of individual(s) (approx.)
Alphabet	Sergey Brin and Larry Page	12%	51%
Designer Brands	Schottenstein Family	23%	57%
Meta	Mark Zuckerberg	13%	61%
News Corp	The Murdoch family	14%	39%
Snap Inc	Evan Spiegel and Bobby Murphy	44%	96%
WWE	Vincent McMahon	<40%	80%
Zillow	Rich Barton and Lloyd Frink	20%	52%

*Measure: Percentage by value of issued share value

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Dual-class share structures mean that the accountability mechanisms typically available to shareholders in companies with equal voting rights are weakened. Without the support of the holders of the shares with superior voting rights, it is nearly impossible to influence director election and re-election decisions, influence company strategy, or challenge decisions on capital structures¹¹. This has practical consequences. From a corporate governance perspective, independent directors are incentivised to follow and support the decisions of the controlling shareholders; this may result in these independent directors being less willing to act as fiduciaries in the boardroom and act to protect the interests of other investors¹². Companies with entrenched directors¹³ tend to engage less frequently with shareholders and to engage with fewer shareholders.¹⁴

Institutional investors, too, are less likely to want to invest time and resources in engaging and building relationships with these companies. It may even lead to certain investors choosing not to invest in the company.^{15, 16}

Supporters of dual-class share structures have argued that these structures insulate founding shareholders from the pressures of financial markets. However, this picture of the visionary founders leading their company to dreams of success is predicated on the assumption that these founders are best placed to deliver long-term success in perpetuity. This is not necessarily a valid assumption. At Snap Inc, for example ([Appendix 1](#)), Evan Spiegel remains as CEO despite being widely criticised for his personal role in the failed redesign of the Snapchat app in 2018 and the unsuccessful investment in the smart glasses Spectacles.

In companies with dual-class share structures, if controlling shareholders encourage or direct the mismanagement of the company, other shareholders can find it very difficult to hold the board and management to account. Even in companies where shareholders would prefer to retain the influence of the founding shareholders, this lack of effective accountability processes is of concern to long-term institutional investors. It means that these founding shareholders could:

- become entrenched (see, for example, the case-studies of News Corp and Meta in [Appendix 1](#)), even in cases of alleged misconduct by business leaders (see the case studies of Tyson and WWE in [Appendix 1](#) as illustrations)¹⁷
- be unresponsive to the interests of all shareholders (see the examples of News Corp and Snap Inc in [Appendix 1](#))¹⁸

- prioritise their own personal interests over the interests of other shareholders (see the example of Peleton in [Appendix 1](#))¹⁹
- seek to extract private benefits from their involvement in the company (e.g. through related-party transactions)²⁰

Reflecting on these issues in an article for the University of Pennsylvania Law Review, Tian Wen argued that the “decoupling of voting rights from economic ownership is detrimental to shareholders because it allows companies to avoid the threat of market mechanisms that have traditionally served to keep management in check”.²¹

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Concern 2: The entrenchment enabled by dual-class share structures can hinder long-term financial performance

Notable publications suggest that firm value is adversely impacted by a misalignment between voting rights and equity stakes, such as Gompers *et. al.* (2008)²², Smith *et. al.* (2009)²³, Masulis *et. al.* (2009)²⁴ and Kamonjoh (2016)²⁵. There are also studies and reports that make the case for the outperformance of companies with dual-class shares including MSCI (2018)²⁶ and Reddy (2021)²⁷, and there are others that are inconclusive^{28, 29}. It is important to note that there are reasons why research results may vary, which includes: The company universe explored is different, the measures used (e.g. total shareholder returns) may vary or may not capture all of the factors (volatility)

that are of concern to shareholders, and the timescales over which the research is undertaken may not align with the perspective of long-term investors.

Our most striking finding from the literature is that any potential financial advantages of dual-class share structures for companies, if they exist, tend to recede quite rapidly over a short period of time.³⁰

This is a consistent finding from the literature, although the timeframe over which these financial advantages erode differs between authors who have written on this topic.

Examples

A 2018 analysis by the Securities and Exchange Commission (SEC) Commissioner, Robert Jackson, reviewed 157 dual-class share IPOs in the United States since the early 2000s. It compared firms with perpetual dual-class share structures with firms where the dual-class structures incorporated sunset provisions (allowing the super voting rights to lapse either after a period of time or when certain conditions were triggered)³¹. The study concluded that the valuations of the two groups were similar at the time of IPO and during the first two years after the IPO. However, from the third year onward, companies with sunset provisions begin to trade at a valuation premium compared to those with a perpetual dual-class share structure.

Cremers *et. al.* (2018), in a study for the European Corporate Governance Institute, suggested that even at innovative companies where multi-class structures correlate to a value premium at the time of the IPO, the premium dissipates within six to nine years before turning negative³². In an updated version of the study, Cremers *et. al.* (2022) reached a similar conclusion noting that "...on average dual-class firms start trading at a discount relative to comparable single-class firms about seven to nine years after the IPO"³³. The same year, SEC Commissioner, Mark Uyeda, cited Cremers *et. al.* as a leading example of governance factors having financial impact on enterprise valuations.³⁴

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A study by Baran *et. al.* (2023) found that multi-class structures correlate with more innovation and value creation in the period shortly after an IPO, but within six to ten years, the costs of unequal voting structures come to outweigh the benefits.³⁵

A study by Kim *et. al.* (2023) for the European Corporate Governance Institute (ECGI) and the Swiss Finance Institute concluded that multi-class structures become increasingly value-destroying by 11 years after IPO.³⁶ It also noted that while financially constrained companies with multi-class stock may be more innovative in the early years following an IPO, these benefits disappear within ten years of the IPO.

A research report by the CII Research and Education Fund noted that over a five-year period from 2018 to 2023, companies with both perpetual dual-class structures (i.e. those lacking a time-based sunset provision) and classified board structures significantly underperformed broad indices.³⁷



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Concern 3: Wider market opposition to dual-class share structures can undermine the relationship between companies and their investors

Many long-term investors are strongly opposed to dual-class shares, and strongly support the principle of equal votes (or one share, one vote).

The formal position of some of the world's largest asset managers follow (figure 2, page 15-18). This includes:

- **Fidelity Investments** (asset managers)
- **BlackRock** (asset managers)
- **CalPERS, CalSTRS and New York Common Retirement Fund** (the three largest asset owners in the United States)
- **Norges Bank Investment Management** (which manages the Government Pension Fund of Norway, the largest pension fund in Europe)

- **USS** (the largest pension fund in the UK).

In addition, we have explained the position of two of the largest proxy advisers, **ISS** and **Glass Lewis**, which can be considered reflective of the investor perspective on these issues.

It also presents the positions of two of the largest proxy advisers, ISS and Glass Lewis, which can be considered to reflect the investor perspective on these issues.

These views are not unique to these organisations but are supported by many other asset owners (e.g. Ohio Public Employees Retirement System (OPERS)³⁸ and Railpen³⁹), asset managers (e.g. Goldman Sachs⁴⁰ and

T. Rowe Price⁴¹) and industry bodies (including the International Corporate Governance Network (ICGN)⁴², the Canadian Coalition for Good Governance (CCGG)⁴³ and the Council of Institutional Investors (CII)⁴⁴).

While the policy positions are clear, some of the organisations have acknowledged that there are reasons why companies may choose to list with dual-class structures for a limited period of time and that there are already many publicly listed companies with dual-class structures. In this case, they will often advocate for safeguards, for example BlackRock has expressed the view that companies with dual-class shares “should seek shareholder approval of their capital structure on a periodic basis”⁴⁵

While the approach being taken by these market actors is pragmatic, it is also clear that there is an emerging tension between the views being expressed by these long-term investors and the growth in the number of companies with, or thinking about, dual-class share structures. There is evidence that these concerns about dual-class share structures influence the investment decisions made by institutional investors. Companies with dual-class share structures tend to have a lower proportion of institutional shareholders than other companies⁴⁶, although this difference disappears when these companies unify the different classes of shares⁴⁷.

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Figure 2: Perspectives on dual-class share structures – **asset owners**



We will withhold votes from directors who are nominating committee members on a board with a multi-class share structure and unequal voting rights when the company does not provide a reasonable sunset of the multi-class share structure.⁴⁸

California Public Employees' Retirement System (CalPERS)



CalSTRS supports the one share, one vote principle. CalSTRS does not support voting structures in which voting rights are not aligned with economic interests... Companies with existing unequal voting structures should disclose and implement processes to move to a one share, one vote structure.⁴⁹

California State Teachers' Retirement System (CalSTRS)



Shareholders have a residual claim on the company's income and bear the ultimate economic risk. To protect their investment, all shareholders should have the right to vote on fundamental decisions concerning the company.

Voting rights should be proportionate to cash flow rights so that shareholders have the appropriate incentives when influencing the company. One share should give one vote.⁵⁰

**Government Pension Fund of Norway/
Norges Bank Investment Management**

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Figure 2: Perspectives on dual-class share structures – **asset owners**



Unequal voting rights can benefit some shareholders at the expense of others. Also, such rights can effectively deter premium takeover offers. The Fund will not support proposals that allow companies to issue shares with unequal voting rights. Additionally, the Fund will support proposals for companies with unequal voting rights to adopt a recapitalisation plan for all outstanding stock to have one vote per share.

Multi-class capitalisation creates multiple classes of common stock with either superior or inferior voting rights to those of the existing class of stock. Multiple classifications with unequal voting rights violate the principle of “one share, one vote” and enable management to perpetuate itself without the support of a true majority of shareholders. The Fund will not support proposals that authorise the creation or extension of multi-class voting stock.⁵¹

New York State Common Retirement Fund (NYSCRF)



If the UK embarks on a potential ‘race to the bottom’ as competition increases amongst jurisdictions seeking to attract new listings of tech companies, for example, there is a risk that standards will be further diluted.

We call for the retention of the UK’s listing rules on dual-class voting structures and free float thresholds and ensure that principle of one share, one vote is protected.⁵²

USS

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Figure 2: Perspectives on dual-class share structures – **asset managers**



Effective voting rights are basic rights of share ownership. It is our view that one vote for one share as a guiding principle supports effective corporate governance. Shareholders, as the residual claimants, have the strongest interest in protecting company value, and voting rights should match economic exposure.

In principle, we disagree with the creation of a share class with equivalent economic exposure and preferential, differentiated voting rights. In our view, this structure violates the fundamental corporate governance principle of proportionality and results in a concentration of power in the hands of a few shareholders, thus disenfranchising other shareholders and amplifying any potential conflicts of interest.⁵³

BlackRock



Fidelity generally will support proposals to recapitalise multi-class share structures into structures that provide equal voting rights for all shareholders, and generally will oppose proposals to introduce or increase classes of stock with differential voting rights. However, Fidelity will evaluate all such proposals in the context of their likelihood to enhance long-term economic returns or maximise long-term shareholder value.⁵⁴

Fidelity Investments

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Figure 2: Perspectives on dual-class share structures – proxy advisers



Glass Lewis believes multi-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake. We generally consider a multi-class share structure to reflect negatively on a company's overall corporate governance.⁵⁵

Glass Lewis



Shareholders should have meaningful rights on structural provisions, such as approval of or amendments to the corporate governing documents and a vote on takeover defenses. In addition, shareholders' voting rights should be proportional to their economic interest in the company; each share should have one vote. In general, a simple majority vote should be required to change a company's governance provisions or to approve transactions.⁵⁶

ISS



One share, one vote is a bedrock principle of good corporate governance. When a company taps the capital markets to raise money from public investors, those investors should have a right to vote in proportion to the size of their holdings. A single class of common stock with equal voting rights also ensures that the board of directors is accountable to all of the shareholders.

Council of Institutional Investors

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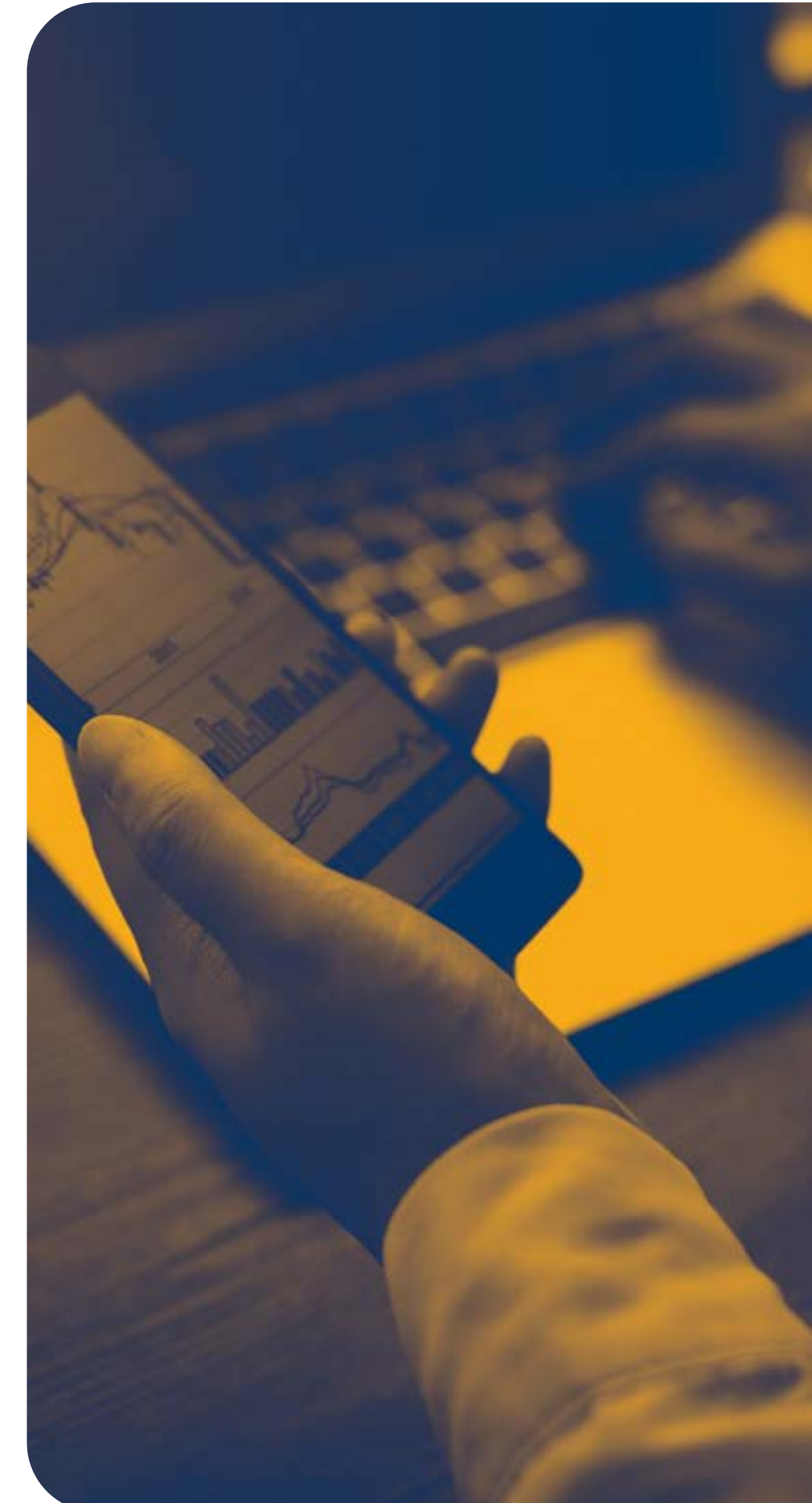
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Concern 4: Dual-class share structures can undermine the effective functioning of investment markets

Stewardship creates value for investors by improving the governance of investee companies, strengthening companies' accountability to their investors, and by encouraging better long-term performance and risk management. The term stewardship encompasses a multitude of activities. Investors can exercise their stewardship obligations by engaging with issuers, voting at shareholder meetings, and filing or co-filing shareholder resolutions or proposals. As the example of Snap Inc (with a three-minute-long AGM in 2018) shows, weakening of shareholders' voting rights can also be accompanied by the deterioration of other important management accountability mechanisms.

This is not just a company-specific issue but one that might affect the dynamics and functioning of investment markets as a whole. A recent letter (found on [page 20](#)) from 10 of the UK's largest pension funds to the Financial Conduct Authority (FCA) in June 2023 set out some of the implications of the FCA's proposals to dilute investors' rights to a shareholder vote on both significant and related party transactions, as well as to water down the current limitations on dual-class share structures.

The letter argues that the proposed changes would dilute investors' ability to act as robust stewards of members' assets, would diminish the UK's reputation for high corporate governance standards (in turn, hurting the medium to long-term development of the market), and could result in investors leaving the market (which would constrain the ability of companies to raise capital.⁵⁷



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Extracts from an Open Letter from UK Pension Funds in relation to FCA Consultation Paper 23/10 – Primary Markets Effectiveness Review (feedback to DP22/2 and proposed equity listing rule reforms)⁵⁸



We do not think the FCA’s proposed reforms to the UK listings regime will lead to the healthy capital markets we all want. We believe that they would in fact exacerbate the current issues by making UK-listed companies less attractive to the kinds of well-informed, long-term investors that our portfolio companies – including several that are looking to list in the next few years – tell us and our managers they are looking for.

The current proposals would roll back fundamental investor protections, such as the right to a shareholder vote on both significant and related party transactions, as well as the equal voting rights that serve as the foundation of a fair and democratic capitalist system. Diluting these important shareholder rights means that investors would find it more challenging to act as effective stewards of their assets.

The proposals would diminish the UK’s reputation and attractiveness as the world’s ‘quality’ market, and its role as a beacon for high corporate governance standards and robust investor protections.

Many of us have previously welcomed FCA and other UK policy efforts to support investors in undertaking robust stewardship in members’ best interests. We agreed with policymakers that thoughtful stewardship on material factors is a fundamental ingredient in supporting companies that are well-placed to perform over the long term. Yet these latest policy discussions risk undoing much of the progress achieved, fundamentally reducing shareholder protections in a way that would ultimately leave scheme members exposed to more significant risks and higher costs.

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4.1 Summary of findings

The material presented in Sections 1-4 of this report point to the following four major conclusions:

1

The right to vote is perhaps the most important of all shareholder rights. It gives shareholders a say in who represents them on the board, which in turn shapes executive leadership, the company's policies, and the company's strategy and capital investment plans.

2

Many long-term investors believe that voting rights in public companies should be proportionate to shareholders' economic participation in these companies (the 'one share, one vote' principle).

3

There is clear evidence that dual-class share structures undermine shareholder rights, weaken corporate governance provisions and limit the accountability mechanisms normally available to shareholders. In companies with these structures, it is generally more difficult for shareholders to elect board members they support, ensure that boards are appropriately structured, influence company strategy, challenge capital expenditure decisions or access robust financial and other information about the company.

4

It is clear that any potential financial advantages of dual-class share companies tend to recede over time, usually within a few years of the IPO.

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4.2 Our recommendations

Unequal voting rights are an increasingly important issue for the capital markets of several jurisdictions. Considering the detrimental impact of these unequal voting rights on outcomes for individual savers and for capital markets as a whole, we have set out some broad, universally applicable recommendations in this report.

We believe these should be applied in all markets, and be actively supported by all financial market actors in the following ways.

Companies

- Adopt single-class share structures at IPO or as soon as possible thereafter.
- With any use of dual-class share structures, adopt explicit time-based sunset clauses of no more than seven years from the date of public listing, at which time the company reverts to a single-share class.
- If sunset clauses are not adopted, companies should adopt provisions that require periodic approval, at least every seven years, from a majority of each share class voting separately, for the dual-class share structure to continue.
- Adopt supplemental safeguards for pivotal proposals e.g. those on mergers and acquisitions and board structure, to require support from a simple majority of outstanding shares for adoption at all times, including prior to any sunset trigger date.

Company advisers*

- Fully inform clients contemplating dual-class share structures of the risks associated with such structures and of the reasons why such structures are opposed by long-term investors. We note that this recommendation is in line with advisers' duty to appropriately inform and advise clients as to the institutional investor and wider market perspective.
 - Ensure that, where dual-class share structures are used, firms use time-based sunset clauses (maximum seven years) that are embedded in the governing documents prior to IPO.
- * Including legal and financial advisers, and investment banks

Stock exchanges and index providers

- Adopt listing standards and methodologies, as applicable, which discourage the adoption of dual-class share structures. Such standards and methodologies are in line with their historic role in upholding basic governance standards in public equity markets.⁵⁹
- Require companies with dual-class share structures, should the decision be made to admit such companies, to have time-based sunset clauses (maximum seven years) or to periodically obtain majority approval from each class – voting separately – for the dual-class share structure to continue.
- Ensure that any dual-class companies they admit to listing or index inclusion are clearly identified as having dual-class share structures.

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Investors

- Publicly oppose dual-class share structures, and adopt formal advocacy, engagement and voting policy decisions to that effect.
- Work with policymakers, stock exchanges and index providers to adopt policy measures that discourage the adoption of dual-class share structures, and to ensure that companies with these structures work with policymakers, stock exchanges and index providers to adopt policy measures that discourage the adoption of dual-class share structures, and to ensure that companies with these structures have incorporated the safeguards we mention on [page 22](#).
- Engage with pre-IPO companies and their advisers to explain why equal voting rights are in line with the company's long-term best interests, and how equal voting rights powerfully signals a company's willingness to work in partnership with the owners of capital.
- Use all stewardship tools at their disposal to urge companies with existing dual-class share structures to explore the benefits of recapitalisation to restore equal voting rights, whether in the near or medium-term via time-based sunset clauses (a maximum of seven years from the date of the IPO).

Policymakers and regulators⁶⁰

- Recognise the evidence on the negative impacts of dual-class share structures on individual savers and take steps to discourage companies from listing with these structures, unless it is with a time-based sunset clause (seven years or less from IPO) and includes robust investor protections as outlined on [page 22](#).
- Take interim steps, in advance of more comprehensive market reforms, towards enhancing transparency from companies that list with dual-class share structures. This includes requiring these companies to do the following:
 - Disclose the numerical relationship between 'ownership interests' and the amount of voting rights held or controlled by such a person (voting rights), for all entities with significant ownership interests and/or unequal voting rights.
 - Report shareholder meeting results in a way which delineates between the votes of those individuals or entities with differential voting rights.
 - Specifically disclose the risk that those with weighted voting rights could use them to approve governance changes that would further increase any disparity between the ownership interests and voting rights held by such persons. This should include a description of the measures taken to prevent this occurring.
 - Prominently display the fact that the share class structure is not a one share, one vote structure in IPO documents, prospectuses and other legal documentation.

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Time-based vs ownership-based sunset provisions

In general, ownership-based sunset provisions automatically trigger conversion to equal voting rights for all shareholders if the founder's position falls below a designated percentage of outstanding voting power, common shares or shares of a specific class. The threshold typically specified by these provisions is 5% or 10% of outstanding common shares.

Like a time-based provision, an ownership-based sunset is embedded within a company's governing documents at the time of the IPO. Both provisions thus enshrine the conditions for an 'automatic sunset' but only one is guaranteed to deliver equal voting rights.

By controlling board composition and the outcome of any board-approved shareholder vote on future stock issuances, the founder who is subject to a standalone ownership-based sunset retains nearly total control over whether, and when, the company converts to a one share, one vote structure.

For this reason, many investors view ownership-based sunset provisions as potentially worthwhile supplements to time-based provisions, but ineffective as a standalone solution. The clear exception to this would be a provision triggering conversion upon the founder's stake falling below a majority of outstanding common shares.



Voting is an important part of the stewardship toolkit, but dual-class share structures without automatic time-based sunset clauses mean long-term investors are trying to influence with one hand tied behind our backs.

Caroline Escott, Railpen and Chair of ICEV

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This appendix provides a selection of examples – covering US and non-US companies, across a range of sectors – which show that, in companies with dual-class share structures, independent investors can struggle to ensure that these companies are run in the interests of all investors and that appropriate corrective actions are taken in situations where companies are being poorly managed. The examples also show that the managerial ‘entrenchment’ that is enabled by dual-class share structures can contribute to poor investment performance, additional downside risk and shareholder preferences being thwarted or ignored.

Alphabet

Description of share structure

Share class	Votes per share	Economic ownership (2022)	Voting power (2022)	Ownership of shares
Class A	1	45%	40%	Public investors
Class B	10	6%	51%	Sergey Brin and Larry Page
		1%	9%	Only directors and founders can trade Class B shares Other
Class C	0	42%	0%	Public investors/Other
		6%	0%	Sergey Brin and Larry Page

Endnotes 61, 62

Alphabet IPO date: Aug 2004
 Time-based automatic sunset: None
 Automatic referendum vote: None

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The changing role of Alphabet's founders

Google – rebranded in 2015 as Alphabet – was founded in 1998 by Sergey Brin and Larry Page and listed publicly in 2004. As of early 2023, Sergey Brin and Larry Page held shares representing approximately 12% of Alphabet's issued share capital, but about 51% of Alphabet's voting rights.

Even though Brin and Page stepped down from their positions at Alphabet in 2019, they have continued to hold the majority of voting rights in Alphabet. Alphabet's share structure has meant that investors have continued to have limited influence on the composition of Alphabet's board or on its business strategy. For example, while large, long-term investors have made repeated attempts to engage with Alphabet, they have found it difficult to pursue dialogue that allows for a better

understanding of Alphabet's approach to sustainability, governance and longer-term value creation.⁶³ This is essentially a scenario where independent investors are betting on whether two people can continue to make successful decisions about management succession and board composition, in a company worth \$1.7 trillion.

Voting data provided by ISS suggests that in the period 2017 to 2023, annually tabled shareholder resolutions calling for a recapitalisation plan that ensure that all stock has one vote per share have been supported by 30-33% of the votes cast.⁶⁴ This is about 70-77% support from independent shareholders. However, given that Brin and Page control over half of the voting rights, shareholders simply do not have sufficient votes to enable such a resolution to pass without Brin or Page's support.



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Meta platforms

Description of share structure

Share class	Votes per share	Economic ownership (2023)	Voting power (2023)	Ownership of shares
Class A	1	87%	39%	Public investors
Class B	10	13%	61%	Mark Zuckerberg, who holds 99.8% of Class B shares

Endnote 65

Meta IPO date: May 2012

Time-based automatic sunset: None

Automatic referendum vote: None

Zuckerberg's control over Meta

Meta has had its share of controversies. One of the most significant was where data was harvested without consent from millions of Facebook users by Cambridge Analytica, and later used to influence the 2016 US elections.⁶⁶ Meta has also been criticised for selectively censoring information, in particular information or posts that are critical of Facebook.⁶⁷

Another significant issue has been Mark Zuckerberg using his excess voting rights to direct significant capital expenditure – over \$40 billion according to one estimate – towards the Metaverse project.⁶⁸ While investing in innovation is important, external investors have had limited ability to challenge this expenditure or to explore whether this capital could have been deployed more efficiently or more effectively.

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Since 2014, there have been multiple shareholder proposals challenging Meta’s governance structure. For example, in 2019 alone, eight different proposals were submitted challenging Zuckerberg’s control over Meta on various grounds. Unsurprisingly, given Zuckerberg’s voting power, all eight of the proposals were rejected. The 2019 proposal for all stock to have one vote per share received about 63% support from independent investors.

A shareholder proposal filed in 2020, following further discontent with Zuckerberg’s running of the company, once again requested that Meta’s board of directors eliminate the dual-class structure. Despite receiving about 88% support from independent shareholders, the proposal was rejected as this overwhelming support only culminated in an overall 27.1% of the votes ‘for’ the proposal.^{69, 70}

Another concerning feature of Meta’s share structure is that Mark Zuckerberg or his estate has perpetual rights to the voting power he currently possesses. Meta’s S-1 form states, “...in the event that Mr Zuckerberg controls our company at the time of his death, control may be transferred to a person or entity that he designates as his successor.”⁷¹ Meta’s S-1 form goes on to state: “As a stockholder, even a controlling stockholder, Mr Zuckerberg is entitled to vote his shares, and shares over which he has voting control as a result of voting agreements, in his own interests, which may not always be in the interests of our stockholders generally.”⁷²



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News Corp

Description of share structure

Share class	Votes per share	Economic ownership (2023)	Voting power (2023)	Ownership of shares
Class A	0	64%	0%	Public investors
Class B	1	14%	39%	Rupert Murdoch and the Murdoch Family Trust (Rupert Murdoch has almost all of the shares under his name)
		22%	61%	Public investors

Endnotes 73, 74

News Corp IPO date: July 2013

Time-based automatic sunset: None

Automatic referendum vote: None

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Murdoch family control

News Corp was founded in 2013 by Rupert Murdoch following a spin-off of the media outlets of the original News Corporation which he inherited from his father. A major catalyst for the split was the UK phone hacking scandal that involved the News of the World tabloid owned by Rupert Murdoch. Murdoch was ultimately held responsible for the illegal phone hacking practices that were carried out, with the UK cross-party parliamentary committee stating in its report: “We conclude, therefore, that Rupert Murdoch is not a fit person to exercise the stewardship of a major international company”,⁷⁵ and also stating that the company was guilty of “wilful blindness” towards what was happening in the tabloid⁷⁶.

Both News Corp and 21st Century Fox (the other major company that emerged from the News Corporation spin off) are controlled by the Murdoch family. In September 2023, Rupert Murdoch announced his resignation as Chairman of 21st Century Fox and the Executive Chairman of News Corp. Following the resignation, Rupert’s son Lachlan Murdoch (previously Co-executive Chair and CEO of Fox and Co-executive Chairman of News Corp) will become the sole Chairman and CEO of Fox and the sole Executive Chairman of News Corp, while Rupert Murdoch will be appointed Chairman Emeritus of both Fox and News Corp.⁷⁷

Rupert Murdoch has fended off repeated shareholder proposals over the last decade to eliminate News Corp’s dual-class share structure. For example, in 2015, a motion to eliminate dual-class shares was supported by 49.5% of the

total votes cast,^{78, 79} which means about 80% of public investor votes were cast in favour of the motion. This was the closest external shareholders had come to having the motion pass. Despite the closeness of the vote, the 2015 News Corp AGM lasted approximately half an hour with limited discussion of the vote or of any changes that might be made as a result.⁸⁰

We also note that, from 2017 to 2020, most of the directors faced approximately 25% dissent each at AGMs, demonstrating significant independent shareholder discontent. However, due to the Murdoch family’s voting power, these directors were still re-elected.⁸¹

There is currently a 44% limit to voting power in relation to the Murdoch Family Trust via a stockholder agreement. The Trust must forfeit votes at meetings

to the extent necessary to ensure that the Trust and the Murdoch family collectively do not exceed 44% of the outstanding voting power of the shares of Class B common stock.⁸² Even though the Murdoch family does not control a majority of the News Corp voting rights, this level of control is generally sufficient for the family to have veto power on any shareholder proposal.

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Paramount Global

Description of share structure

Share class	Votes per share	Economic ownership (2021)	Voting power (2021)	Ownership of shares
Class A	1	6.7%	79.9%	Sumner M Redstone National Amusements Trust which is the family trust of the Redstone Family
		1%	12.2%	Other directors
		0.7%	7.9%	Mario Gabelli <i>et. al.</i> of GAMCO Investors
Class B	0	91.6%	0%	Public investors

Endnote 83

Paramount Global was formed in 2019 through the merger of Viacom and CBS.

Time-based automatic sunset: None

Automatic referendum vote: None

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Shari Redstone's takeover

In 2016, Sumner Redstone, the controlling shareholder for ViacomCBS, removed Viacom CEO, Philippe Dauman and Viacom board member, George Abrams, from the Sumner M Redstone National Amusements Trust that determines the fate of both Viacom and CBS in the event of Sumner Redstone's incapacitation or death.⁸⁴ There were claims that Redstone, who was 93 at the time, was being manipulated by his daughter, Shari Redstone, who wanted to secure more control over her father's \$40 billion media empire.⁸⁵ With the removal of Abrams and Dauman, Shari Redstone then had majority support among the remaining members of the trust. In subsequent years – Sumner Redstone's health worsened significantly in 2016 – Shari Redstone removed the governance protections her father had put in place, replacing directors on the

National Amusements, Viacom, and CBS boards with friends and family.⁸⁶

In 2019, Shari Redstone successfully pushed through a merger of the two companies, Viacom and CBS, against the will of the CBS board which had filed a restraining order in an attempt to dilute her voting power.⁸⁷ The Viacom board accepted a bid that, allegedly, both significantly undervalued the company and overvalued CBS.⁸⁸ CBS also took advantage of Shari Redstone's insistence on having Bob Bakish as CEO to lower the deal price.⁸⁹ Shari Redstone was subsequently sued by the shareholders of both companies and agreed to a \$168 million settlement.⁹⁰ Despite this controversy and the settlement, Shari Redstone continues to hold her position as Chairwoman of Paramount Global and as President of National Amusements.



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Peloton

Description of share structure

Share class	Votes per share	Economic ownership (2022)	Voting power (2022)	Ownership of shares
Class A	1	0.4%	0.2%	John Foley
		91.2%	35%	Public investors
Class B	20	4.4%	34%	John Foley
		4%	30.8%	Other

Endnote 91

Peloton IPO date: Sept 2019
 Time-based automatic sunset: 2029
 Automatic referendum vote: None

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Peloton's poor performance and governance

Peloton was founded in 2012 by Graham Stanton, Hisao Kushi, John Foley, Tom Cortese, and Yony Feng.

Peloton has performed poorly since its IPO. While its sales boomed as a result of the COVID-19 pandemic, in 2022, it recorded a net loss of \$1.24 billion resulting from a drop in demand for its bicycles and treadmills and a stagnation in the number of subscriptions.

Peloton has long faced criticism for its governance and for its decision-making, including from independent shareholders.⁹² The company's stock value has dropped to about 22% of its original value since 2019.⁹³ The company also faced scandals about the safety of its products after a child died

and its treadmills had to be recalled, as well as bad publicity from a much-mocked Christmas advertisement.⁹⁴

In response to criticism about both their own individual and company performance, Peloton's co-founders, John Foley and Hisao Kushi, eventually stepped down from their executive roles in early 2022. They hired Barry McCarthy as the new CEO, offering an extremely generous pay package, a decision which triggered criticism as, at the same time, Peloton had announced that it would be laying off 2,800 employees.⁹⁵

After stepping down as CEO, Foley then appointed himself Executive Chairman. In September 2022, it was announced that he and Kushi would be leaving the company, although they and their co-founders continue to control the

majority of Peloton's voting rights. Ever since its IPO in 2019, company proposals for the election or re-election of directors have generally received about 90% support⁹⁶ due to support from Foley and other insiders that support him.

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Rogers Communications Inc.

Description of share structure

Share class	Votes per share	Economic ownership (2022)	Voting power (2022)	Ownership of shares
Class A	50	29%	97.5%	Rogers Control Trust
		0.9%	2.5%	Public investors
Class B	0	70.1%	0%	Public investors

Endnotes 97, 98

Rogers Communications Inc. IPO date: 1980
 Time-based automatic sunset: None
 Automatic referendum vote: None

The 2021 Rogers family power struggle

Rogers Communications Inc. was founded in 1960 by Ted Rogers, after Ted Rogers and Joel Aldred raised sufficient money to purchase an FM radio station in Toronto via Aldred-Rogers Broadcasting.

In 2021, Edward Rogers wanted to replace the then-CEO Joe Natale and completely reshuffle Rogers Communications Inc.'s board. These proposals were publicly opposed by various members of the Rogers Control

Trust (including Edward Rogers' mother and sisters), resulting in Edward Rogers being removed as Chairman by the board of Rogers Communications Inc.⁹⁹

However, as Edward Rogers personally held the majority voting rights, he promptly replaced five board members with individuals loyal to him, and then had himself reinstated as Chairman with the new board. This resulted in a legal battle, with the company insisting that this decision was invalid. For a time, Rogers Communications Inc. had two boards, each claiming that the other board was illegitimate. The legal battle ended with the court ruling in favour of Edward Rogers, acknowledging that his majority voting rights gave him the power to restructure the board in the manner that he wished.¹⁰⁰

In almost every director election in the period of 2017 to 2023, the directors received 100% support in votes, reflecting the Rogers Control Trust's overwhelming voting power.

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Sika and Saint-Gobain

Description of Sika share structure

Share class	Votes per share	Economic ownership (2018)	Voting power (2018)	Ownership of shares
Supervoting shares	6	16%	52%	Burkard family
Standard shares	1	84%	48%	Public investors

Endnote 101

Sika IPO date: 1971¹⁰²

Time-based automatic sunset: None

Automatic referendum vote: None

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The Saint-Gobain takeover bid

Sika was founded in 1910 by Kaspar Winkler, an Austrian who developed concrete waterproofing used in the St Gotthard tunnel. Winkler's descendants, the Burkard family, held the family's Sika shares in a holding company called Schenker-Winkler Holding (SWH).

In 2014, the Burkard family decided to sell its holdings in Sika. The deal saw Saint-Gobain acquire all outstanding shares of SWH from the Burkard family, for a purchase price of CHF2.75 billion. The share sale would have allowed Saint-Gobain to secure control without having to make an offer for the rest of the company. The sale led to four years of governance disputes, legal actions and, ultimately, stalemate between Saint-Gobain and the Sika board. The deal was seen as

controversial, with Sika's Chairman, Paul Johann Haelg, stating: "This transaction is not in the interest of Sika and its public shareholders."¹⁰³ Sika shareholders could have been left open to the possibility of Saint-Gobain extracting benefits from Sika for its own shareholders at the detriment of the rest of Sika's shareholders.

Several challenges were made to the deal, such as removing the 'opting out' clause which exempts Saint-Gobain from having to make a similar purchase offer made to the Burkard family to other investors, which garnered 97% of affirmative votes amongst external shareholders, but ultimately failed anyway due to the majority voting rights held by the Burkard family.¹⁰⁴ Sika's board also limited the voting rights of the Burkard family to 5% on a number of AGM proposals between

2015-2017.¹⁰⁵ This provision effectively blocked the family's ability to change the composition of the board. The Burkard family adopted various strategies to forcefully change the board, including bringing legal action to overturn the board's ability to enact the provision in the company's articles, making legal attempts to unseat the board, taking legal action against individual directors, and blocking directors' pay.¹⁰⁶

A truce finally emerged in 2018 when Saint-Gobain, SWH and Sika came to an agreement which gave Saint-Gobain 10.75% of Sika's shares, but not control. Saint-Gobain committed to holding these shares for at least two years, with Sika having first refusal in case of an intended sale. As part of the agreement, Sika converted all of its shares into a single share class, effectively removing the dual-class share structure. In

addition, the representatives of the Burkard family on the board resigned, and all ongoing litigation was terminated.¹⁰⁷ In 2020, Saint-Gobain sold its Sika stake, formally ending the bitter takeover battle. The battle that ensued was arguably ultimately reflected in poor performance for Saint-Gobain during this period, with the share price dropping over the few years before Saint-Gobain sold its Sika stake in 2020¹⁰⁸

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Snap Inc.

Snap Inc.'s voiceless shareholders amid slowing growth

Snap Inc. crossed into new territory by ascribing zero voting rights to its largest share class upon its IPO. The provisions in Snap Inc.'s IPO registration statement effectively allow two of its founders – Evan Spiegel and Bobby Murphy – to reduce their ownership to 1.4% each

without relinquishing voting control. Snap Inc. does have sunset provisions, but these are triggered only when both founders die, or if they have sold their shares before this point, removing the 10 votes per share voting power.¹¹⁰

Spiegel has been criticised for being the key individual behind the ill-fated redesign of the Snapchat app in 2018 and for continuing to invest in the money-losing Spectacles (wearable smartglasses).¹¹¹

However, given his and Murphy's control over the company, shareholders have no effective mechanism to challenge his decisions or to hold him to account. This lack of accountability was clearly illustrated by Snap Inc.'s 2018 shareholder meeting – shareholder meetings being perhaps the most important annual opportunity for a company to engage with its investors. The meeting lasted three minutes, consisting only of a recorded message from the company's legal counsel to remind investors that executives hold 96% of the voting rights and a more traditional meeting was unnecessary.¹¹² A new board member was also announced via this recording.

More recently, Snap Inc. published its 2023 AGM notice, which reminded stockholders of Spiegel and Murphy's now 99% voting rights and stated that there was no need for other stockholders to vote.¹¹³

Description of share structure

Share class	Votes per share	Economic ownership (2023)	Voting power (2023)	Ownership of shares
Class A	0	69.2%	0%	Public investors
Class B	1	2.8%	1%	Snapchat management and pre-IPO Investors
Class C	10	28%	99%	Evan Spiegel and Bobby Murphy only

Endnote 109

Snap Inc. IPO date: March 2017

Time-based automatic sunset: None

Automatic referendum vote: None



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Tyson Foods

Description of share structure

Share class	Votes per share	Economic ownership (2023)	Voting power (2023)	Ownership of shares
Class A	1	80%	30%	Public investors
Class B	10	20%	70%	Tyson Limited Partnership which owns 99% of Class B stock and is the Tyson family trust

Endnote 114

Tyson Foods IPO date: April 1963
 Time-based automatic sunset: None
 Automatic referendum vote: None

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Family-elected positions despite controversy

Tyson Foods was founded in 1935 by John W Tyson and, since then, has been passed down through four generations of the Tyson family.

John H Tyson was appointed to the board in 1990, despite a personal history of drug and alcohol addiction.¹¹⁵ In the mid-1990s, he was also caught up in a political scandal, when he was named as an unindicted co-conspirator in a special prosecutor's case against the former agriculture secretary, Mike Espy, who was accused (but ultimately acquitted) of illegally accepting gifts and favours from Tyson and other big corporations.¹¹⁶ Despite these controversies, John H Tyson remained CEO of Tyson Foods from 1999 to 2006, and he has been the company Chairman since 1998.

John H Tyson's son, John R Tyson, was appointed as the company's Chief Financial Officer (CFO) in 2022, having previously been its Chief Sustainability Officer from 2019 to 2022. At the end of 2022, John R Tyson was arrested and charged with criminal trespassing and public intoxication.¹¹⁷ He pleaded guilty to both charges in January 2023, and paid his fines. Despite these events and, notwithstanding his relative lack of financial experience, John R Tyson has continued to be supported by the Tyson Limited Partnership in his position as CFO.¹¹⁸

For decades, external investors have been putting forward shareholder proposals calling for an end to the dual-class share structure at Tyson Foods.¹¹⁹ None of these proposals have been successful despite the strong level of external investor support.

For example, the 2021 proposal was supported by over 88% of independent investors, but ultimately failed to reach majority without the Tyson family's support, only receiving 20% votes for the proposal overall.^{120, 121}

These events demonstrate the dominance the Tyson family holds over the company. While there is no way of knowing how Tyson Foods would have performed with a different management team, it is reasonable to assume that an independent board would have paid much greater attention to the qualifications and readiness of potential CFOs.

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World Wrestling Entertainment, Inc. (WWE)

The Vincent McMahon Scandals: From CEO to Executive Chairman

WWE was founded in 1953, under the name Capitol Wrestling Corporation, by a member of the McMahon family. WWE’s dual-class share structure dictates that any share sold outside

of the McMahon family is relegated to being a Class A stock (and, as such, does not hold any superior voting rights).

Vincent (Vince) McMahon has been the subject of multiple sexual misconduct allegations. He has been accused of using company funds to pay \$12 million in hush money to multiple women in order to cover up allegations.¹²⁴

He finally stepped down as WWE CEO in June 2022, having come under fire from investors, WWE fans and the public.¹²⁵ His daughter, Stephanie McMahon, then took over instead. McMahon subsequently re-elected himself as Executive Chairman in January 2023 with his majority voting rights, following the proposed merger of WWE with UFC.¹²⁶ He received 94.8% votes for his re-election as a director in the company.¹²⁷ His preferred directors also, naturally enough, received his votes and in turn obtained between 93% to 98% support for their re-election.¹²⁸ It is claimed that McMahon ignored a board vote that his return as Chairman was not in the interest of WWE.¹²⁹ He also threatened to veto any future rights deals using his voting rights if he was not allowed to return to his original position.¹³⁰ Two directors resigned from the board after McMahon returned as the Chairman, although the reasons for this are unclear.¹³¹

Description of share structure

Share class	Votes per share	Economic ownership (2023)	Voting power (2023)	Ownership of shares
Class A	1	58%	10%	Public investors
Class B	10	42%	90%	McMahon Family (92.2% of Class B shares are owned by Vincent McMahon alone) Class B stocks can only be owned by the McMahon family

Endnotes 122,123

WWE IPO date: Oct 1999 Time-based automatic sunset: None Automatic referendum vote: None



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