

Context: In December 2022, the European Commission took a [draft directive](#) on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market. This Directive lays down common rules on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market in one or more Member States and that do not have shares already admitted to trading on any trading venue.

“One share one vote” is a principle that has merits and attractions insofar that all shares carry the same rights both economically and as regards influence over the company. However, deviations from the one share one vote principle are not necessarily harmful, and may encourage competitiveness and innovation and meet the needs of different types of companies and of different types of investors.

Loyalty shares and systems with multiple voting rights may be justified by the willingness to encourage long-term shareholding and shareholder commitment, or to keep control by founders. Multiple voting rights have for long time been applied in different Member States and have lately also become quite popular with new groups of founders to allow them to preserve control, especially in the “tech” sector. It is regarded as a mechanism to promote long-term perspectives but at the same time giving companies access to capital from the global investor community. .

Different Member States have taken different approaches as regards loyalty shares and multiple voting right structures. The latter are allowed in a large proportion of Member States, often with specific conditions, while in fewer jurisdictions they are either prohibited or not subject to any specific requirement or recommendation.

ecoDa’s view is that

- (i) multiple vote share structures should be regulated by each Member State at national level,
- (ii) structures with loyalty shares and multiple voting rights should be supported by strong minority protection such as adequate regulations regarding requirements of qualified majority for significant decisions and maximum number of voting rights allocated to one share, and,
- (iii) the proposed directive should clearly state that it is up to Member State legislators to clearly define the details.

ecoDa’s position is consistent with the G20 / OECD Principles of Corporate Governance, which simply state that “all shareholders of the same series of a class should be treated equally”.

In general, the European Commission should thoroughly tackle the reasons that prevent companies from going public. The fear of the risk of losing control by the founders or current shareholders is one of them, but the regulatory burdens on listed companies should not be underestimated.
