



POSITION ON THE (AMENDMENTS TO THE) DRAFT REPORT OF THE EP COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS ('ECON') ON THE PROPOSAL FOR A DIRECTIVE ON MULTIPLE-VOTE SHARE STRUCTURES (COM(2022) 761 final)

SUMMARY OF KEY MESSAGES

Eumedion, representing the interests of institutional investors who have more than € 8 trillion assets under management, has always been supportive of the underlying objectives of the European Commission's proposals that are part of the Listing Act package. Notwithstanding our general support we are of the opinion that the proposals should not go at the expense of an adequate level of investor protection and should respect national corporate governance systems and legislation that has gradually been developed over the years and which resulted in a well-balanced division of duties between governance bodies and shareholder powers and protections. From that perspective Eumedion has reviewed the (amendments to the) draft report of the EP ECON Committee's rapporteur Alfred Sant and would like to make some comments.

1. The proposed obligation for Member States to introduce the possibility for companies to adopt multiple-vote share structures should not be expanded to regulated markets

The European Commission's proposal (art. 4) lays down the principle that Member States must ensure that companies may adopt multiple-vote share structures when they seek admission to trading of their shares on an SME growth market for the first time. As already mentioned in our statement on the European Commission's proposal:

- we are of the opinion that this obligation for Member States is unnecessary and undesirable;
- we doubt whether it respects the principles of subsidiarity and proportionality since the current differences in national company laws do not create obstacles to the exercise of fundamental freedoms; and
- it disregards the reasons for the multitude of governance frameworks that exist within the Member States (e.g. historical reasons, differences in companies' ownership structures, shareholder powers and the division of duties between the governance bodies).¹

Against this background we are not in favour of expanding the scope of the directive to companies that seek a listing on a regulated market. Therefore: **strongly against amendments 15, 76, 77, 78 and 79 (and the accompanying amendments in which this expansion to regulated markets is reflected).**

¹ We also refer to our [Statement proposal for a directive on multiple- vote share structures \(eumedion.nl\)](https://www.eumedion.nl/en/statement-proposal-for-a-directive-on-multiple-vote-share-structures).

2. Comments should the European legislators move forward with the proposed obligation for Member States to introduce the possibility for companies to adopt multiple-vote share structures

Although we do not see the necessity and desirability for European legislation that introduces an obligation for Member States to ensure that companies may adopt multiple-vote share structures, we would like to make some comments should the European legislators move forward with legislation in this area.

2.1 Obligatory safeguards for the protection of minority shareholders are necessary

We are of the opinion that the safeguards to protect minority shareholders that are incorporated in the European Commission's proposal are too weak and should be strengthened. It follows from our statement on the European Commission's proposal that multiple-vote share structures are only acceptable for institutional investors if they meet the following cumulative and mandatory conditions:

- A maximum duration of five years;
- The enhanced voting rights cannot be transferred to third parties;
- The enhanced voting rights may only be used (i) for a shareholders' meeting resolution regarding the removal of the holder of the enhanced voting rights as a board director and (ii) in hostile take-over bid situations, on any matter; and
- A maximum weighted voting rights ratio of 10:1.

Against this background we appreciate the proposals to strengthen the safeguards to protect minority shareholders by introducing a set of obligatory safeguards (e.g. a limited voting ratio and a definite time-set sunset clause). Therefore: **strong support for amendments 20, 25, 68, 111, 112, 119, 120, 122, 123, 124, 125 and 126.**

2.2. Member States with existing national provisions should ensure that appropriate safeguards are in place in companies that have adopted a multiple- vote share structure

It follows from the rapporteur's proposal that Member States shall ensure that in companies that have adopted a multiple-vote share structure in accordance with the directive, appropriate safeguards are in place to provide for adequate protection of the interests of shareholders who do not hold multiple-vote shares. And that Member States may maintain in force national provisions that allow companies to adopt multiple-vote share structures in situations not covered by the directive. We disagree with that approach. There is no justification why the protection of shareholders should differ from Member State to Member State. And the importance of the protection of the rights of shareholders is independent of whether companies are seeking listing on a trading venue for the first time or whether they are already listed on a trading venue. Therefore we are of the opinion that Member States with already existing national provisions that allow companies to adopt multiple-vote share structures in situations not covered by the directive (e.g. with shares that are already admitted to trading on a trading venue) should also be obliged to ensure that appropriate safeguards are in place in companies that have adopted a multiple-vote share structure. Therefore: **strong support for amendments 57, 86 and 87.**

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