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Confédération Européenne des Associations d'Administrateurs
European Confederation of Directors' Associations

ONE SHARE ONE VOTE (1S1V):

Transparency and shareholders' participation are better solutions than imposing the one share one vote principle without accepting justifiable grounds for divergence.

- ***Companies (whether listed or non-listed) should not be prevented from deviating from the 1S1V principle.***

1S1V is a principle that has apparent merits and attractions insofar as shareholder democracy is concerned. Deviations by a listed company from the 1S1V principle may potentially result in less transparency and shareholder rights may be affected. However, any such deviation is not necessarily harmful, and may encourage competitiveness and innovation and meet the needs of different types of shareholders.

There are justifiable grounds to diverge from 1S1V, for example where fewer voting rights are attached to a category of shares, which are compensated by higher economic rights (e.g. preferred or higher rights to dividends or liquidation proceeds), or where different voting powers reflect different economic contributions to the relevant company or other justifiable economic reasons which should not be prescribed in legislation. Where there is a deviation from the 1S1V principle, there should be appropriate disclosure and transparency on the nature and impact of the instruments used.

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Where there is a deviation from the 1S1V principle, it should be supplemented by corporate governance practices which take into account the difference in voting rights in particular with regards to transparency and accountability. Any proposals to introduce different classes of shares or shares within a class with different rights should be approved by the company in general meeting. Such proposals should be accompanied by clear explanations as to their justification and impact. That report should accompany the notice of the meeting at which approval is sought and should be appropriately published such as on the company website.

- ***Shareholders' participation is the key issue to promote fairness between shareholders.***

1S1V principle is only one aspect of enabling effective shareholder participation in listed companies. Other initiatives which would promote shareholders participation (but without necessarily requiring, in every case, EU legislative measures) include: (i) allowing a fractioning of the voting of shares represented by financial intermediaries, (ii) institutional investors establishing and complying with a policy concerning the exercise of the voting rights attached to shares held by them, (iii) introducing practical mechanisms to allow and to facilitate all shareholders to appoint proxies or representatives, (iv) removing any legal

prohibition allowing participation in shareholders' meeting through electronic means or facilitating electronic participation in meetings.

Within national legal systems, other measures might be considered. Current examples include the creation of an electronic forum for shareholders as introduced in Germany and as envisaged in Spain. Because of the different bases of company and securities laws across Member States such matters should be left to national legislation.