



The case for multiple voting shares

Montreal (February 4, 2019) — In Canada, the number of companies with multiple voting shares has dropped from 100 in 2005 to 69 in 2018. But these companies continue to play a vital role in the Canadian economy.

The Institute for Governance has issued a policy paper in support of multiple voting shares, urging entrepreneurs to adopt this type of capital structure when and if they decide to issue shares to the public. In Canada where few protective measures are in place against unwanted takeovers, a dual-class of shares allows entrepreneurs to maintain control of their business and ultimately create family controlled businesses.

Corporations with dual-class voting rights generally perform better, have a longer life and are better integrated into the social fabric of their environment. Of course, these firms are less vulnerable to short-term pressures of financial markets and thus are able to plan and manage in the long-term interest of all stakeholders.

IGOPP believes that dual-class companies must adopt a set of measures to provide minority shareholders with adequate protection:

- The voting ratio should be set at four (4) votes and in no cases should it exceed ten (10) votes per share. Shares without voting rights should be prohibited.
- It is essential in case of a sale of the company, or of its control, that all shareholders be treated equally (*coattail provision*).
- There should be separate vote tallies for each class of shares for all proposals submitted to shareholders.
- One third of board members should be elected by shareholders with single voting rights.

IGOPP's policy paper argues against time-based sunset clauses and supports the transfer of control of the company to the heirs of the founder.

The full policy paper is available on the website of the [Institute for governance](#).

About IGOPP:

Created in 2005 by two academic institutions (HEC Montréal and Concordia University – The John Molson School of Business), the Stephen Jarislowsky Foundation and the Autorité des marchés financiers, the Institute for governance (IGOPP) has become a centre for excellence about governance of public and private organizations. Through Research and publications, Seminars on value-creating governance®, Policy papers and Board evaluation and governance interventions, IGOPP has become a key reference on all issues of governance in the private and public sectors. For more information about IGOPP, visit www.igopp.org/en

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