Blog Series: Good Governance for Value Creation
Blog Post no.2

Equal votes, fair markets. The case for the one share one vote principle.

Written by Jen Sisson (ICGN CEO) and Jakub Brejdak (Senior Policy Executive) on 8 December 2025

ICGN Good Governance for Value Creation.
Blog post no.2

Equal votes, fair markets. The case for the one share one vote principle.

Written by Jen Sisson (ICGN CEO) and Jakub Brejdak (Senior Policy Executive) on 8 December 2025

Shareholders are the economic owners of a company. Their voting rights reflect the economic risk they bear. The principle of one share, one vote ensures that influence over key decisions is aligned with the stake each investor holds. When voting power corresponds to ownership, those who commit more capital and shoulder more risk, have a proportionate say in the company's direction. This alignment is the foundation of fairness, accountability and trust in public markets.

The long-standing principle of shareholder democracy is under threat

One share one vote is increasingly being challenged as regulators look for quick ways to revive capital markets. While the goal of attracting more listings is widely shared, turning to dual-class share structures as a default solution risk weakening accountability rather than strengthening markets.

Multi-class share structures allow certain shareholders, typically founders, families or insiders, to hold superior voting power relative to their economic stake. Such structures can be used to give a company's founder or early investors more control, allowing them to implement their vision without perceived obstacles whilst raising equity capital.

As dual-class share structures became popular among high-growth companies in the United States, other markets started amending their rules to allow such structures in the hope of attracting issuers. This was the case in 2018 in Singapore and Hong Kong, followed more recently by the UK and the EU. In the EU, only a few member states, particularly in the Nordics, have long permitted companies to use multi-class share structures. What is new, however, is that Directive 2024/2810 now requires all member states to allow companies with multi-class share structures to be admitted to multilateral trading facilities. It should be highlighted that, despite the attention these structures receive, dual-class shares are not as common in the United States as headlines often suggest, as less than 15 percent of all listed U.S. companies use them.[1] Although such arrangements are more prevalent among recent IPOs, particularly in the technology sector, they still represent a minority overall.

Yet the investment community remains consistent in our position: equal voting rights are fundamental to accountability, transparency and confidence in public markets.[2]

Why does "one share one vote" matters?

1. Multi-class shares underperform over the long run

Evidence shows that while unequal voting structures may deliver short-term benefits, these advantages diminish over time.[3] Studies identify that although companies with multi-class shares may experience higher innovation shortly after listing[4], within six to ten years the costs of unequal voting outweigh the benefits. By around eleven years after IPO, such structures become increasingly value-destroying[5]. Further analysis finds that companies with perpetual dual-class structures and classified boards significantly underperformed broad market indices over a recent five-year period.[6]

2. Reduced accountability for poorly performing management

Dual-class share structures weaken key accountability mechanisms. When insiders hold superior voting power, it becomes extremely difficult for other investors to influence important decisions, even when they represent the majority of economic ownership. This limits shareholders' ability to act as responsible stewards, in line with their fiduciary duty towards their clients and beneficiaries, by challenging when needed board or management actions, and/or support proposals that promote long-term company value.

---

[1] Yan, Ning; Zepka, August; Allenstein-Lyon, Eric; and Plagge, Jan-Carl (2024), "Does the Dual-Class Share Structure Harm Investor Return? Not Really," SSRN Working Paper.

[2] Investor Coalition for Equal Votes (2024), "Voting on Voting Rights," which brings together the public voting policies of 31 of the world's largest asset managers and asset owners as of November 2024, demonstrating the broad market consensus in support of equal voting rights.
https://www.railpen.com/media/4yslxhmz/icev-dcss-voting-policies-2024.pdf

[3] Undermining the Shareholder Voice. The rise and risks of unequal voting rights, Investor Coalition for Equal Votes, https://www.icevequalvotes.org/resource/icev-undermining-the-shareholder-voice

[4] Baran, L., Forst, A. and Via, M. (2023), 'Dual-class Share Structure and Innovation', The Journal of Financial Research, Vol. 46(1), pp. 169-202.

[5] Kim, H. and Michaely, R. (2018), Sticking Around Too Long? Dynamics of the Benefits of Dual-Class Structures (European Corporate Governance Institute).

[6] Crowe, J. (2023), "Dual-Class Structures and Classified Boards: Evidence from 2018 to 2023",

The 2024 US proxy season demonstrated this clearly. Across 47 resolutions, insider control increased reported support levels by an estimated 19% compared with non-insider sentiment.[7] Several proposals would likely have received majority support had votes been weighted proportionally to economic ownership. Unequal voting rights therefore diminish a core channel of investor engagement and oversight.

Multi-class structures can distort governance signals by reducing the influence of minority shareholders on matters such as executive remuneration. Recent analysis of S&P 500 companies identified 22 dual-class firms with significant voting imbalances, 15 of which held "say on pay" votes in 2024. At least four displayed a gap of 10% or more between reported outcomes and support excluding insider voting. Overall, dual-class companies faced 35% more shareholder opposition on pay practices than those operating under one share, one vote.[8]

3. Increased risk of minority shareholder expropriation

Dual-class structures allow controlling shareholders to exercise power without bearing a proportional share of economic risk. This creates opportunities to capture private benefits of control at the expense of minority investors, and research shows that insiders can influence decisions that transfer value toward themselves even when these decisions do not support long-term performance[9].

4. Distracts from meaningful structural reform

Many jurisdictions are struggling to attract new listings, but dual-class shares are not the answer. Too often, the one share one vote principle is treated as the obstacle to market competitiveness and becomes a convenient scapegoat for deeper structural reforms. Some of the key factors that determine where a company chooses to list include: access to sophisticated investors, with deep understanding of the company's sector; valuation and research coverage; liquidity; and presence of comparable

[7] Shareholder Democracy and the Challenge of Dual Class Share Structures, Harvard Law School Forum on Corporate Governance https://corpgov.law.harvard.edu/2025/02/11/shareholder-democracy-and-the-challenge-of-dual-class-share-structures/#13

[8] Ibidem.

[9] Gurrea-Martínez A (2020), Towards a credible system of independent directors in controlled firms. Aust J Corp Law 35(1).

companies in the market.[10] The speed of the process leading to the IPO, access to talent, and tax considerations are also important considerations.

Allowing companies to list with unequal voting rights may appear to offer a quick fix for IPO markets, yet the evidence suggests otherwise. Not looking too far, the introduction of dual-class structures in the United Kingdom did nothing to halt the decline in IPOs, and listing activity continued to weaken despite the relaxation of governance safeguards.[11]

When shareholder rights are diluted, minority investors may disengage, reducing market depth and liquidity and ultimately making it harder for companies to raise capital, including for the very founders regulators hope to attract.[12]

Is it all lost when multi-class shares are introduced?

Equal voting rights remain the strongest foundation for accountability and fair markets. However, if a regulator is committed to allowing multi-class share structures, it does not mean that all protections must be abandoned. Well-designed safeguards can limit the risks of entrenchment and value extraction, while still enabling founders to pursue their strategic vision during the early years of a company's development. Some of these safeguards should include:

- Time-based sunset clauses that automatically convert superior voting shares into ordinary shares after a set period.
- Clear limits on the ratio between superior and ordinary voting rights.
- Non-transferability rules that restrict superior voting rights to serving directors, to avoid control being sold or passed on to other parties
- Minority investors should retain a meaningful voice on decisions that materially affect the investment case, such as major transactions or changes to governance arrangements.

[10] UK Finance and EY, UK Capital Markets Building on Strong Foundations.pdf, May 2023
[11] Bloomberg: London Falls Out of Top 20 IPO Markets (30.09.2025). https://www.bloomberg.com/news/articles/2025-09-30/london-drops-out-of-top-20-ipo-markets-after-69-plunge-in-fundraising
[12] Gurrea-Martínez, A. (2021), "Theory, Evidence, and Policy on Dual-Class Shares: A Country-Specific Response to a Global Debate," European Business Organization Law Review, 22, 475–515.

- Companies adopting dual-class structures should clearly explain why this model has been chosen and how minority shareholder interests will be protected.
- Boards must include enough independent directors to provide genuine oversight of any controlling owner.

Case studies

Pirelli: The erosion of minority protections in Italy[13]
Background*:* In 2007, Pirelli & C. S.p.A. proposed reducing the par value of both its voting and non-voting shares. This move was significant because non-voting shares had guaranteed minimum and preferential dividends directly linked to their par value. By lowering that value, Pirelli effectively weakened the economic rights of the non-voting class. Although Italian law required class-meeting approval, many holders of non-voting shares were affiliated with the controlling group and also held voting shares, enabling insiders to push the proposal through despite the inherent conflict of interest.

Outcome: The restructuring resulted in a clear transfer of wealth from non-voting to voting shareholders and highlighted how dual-class structures can be used to extract value from minority investors. The case became a prominent example in European corporate governance debates, illustrating how formal safeguards can fail when ownership structures allow insiders to dominate both economic and voting positions.

Alphabet: Entrenched control beyond the founders' tenure
Background: In 2004, Alphabet went public with a dual-class share structure that gave its founders control of 51% of the voting rights while owning less than 12% of the company's shares.[14]

Outcome: Even after stepping down from executive roles in 2019, founders retained majority voting control, limiting independent shareholders' ability to influence board composition or strategic direction.[15] From 2017 to 2023, shareholder proposals to adopt a 'one share, one vote' structure received 70–77% support from independent shareholders, but failed due to the founders' voting majority.[16]

Meta: Concentrated voting power and limited shareholder influence

---

[13] Bigelli, Marco and Mengoli, Stefano (2011), "Self-Expropriation versus Self-Interest in Dual-Class Voting: The Pirelli Case Study," *Financial Management*, 40(3): 677–699.
[14] U.S. Securities and Exchange Commission (SEC), *DEF 14A: Alphabet – Notice of 2022 Annual Meeting of Stockholders and Proxy Statement*, Washington, SEC, 2022.
[15] Railpen, 'Pre-Declaration: Alphabet – Shareholder Engagement', 2023.
[16] ISS, Data provided 22 August 2023, Undermining the Shareholder Voice: The Rise and Risks of Unequal Voting Rights, Investor Coalition for Equal Votes, 2023.

Background: At its IPO in 2012, Meta adopted a dual-class share structure that enabled Mark Zuckerberg to retain 61% of the voting power with only 13% economic ownership.[17]

Outcome: This structure allowed him to direct over $40 billion toward Metaverse development, despite widespread investor concerns.[18] Shareholder proposals to reform governance, including a 2020 proposal that received 88% support from independent shareholders, were unsuccessful due to his controlling vote[19]. Additionally, Meta's S-1 filing disclosed that Zuckerberg's voting rights can be transferred to a successor of his choosing, enabling his control to extend beyond his lifetime.[20]

[17] Meta, *2023 Proxy Statement*, 2023, p. 70.
[18] Yahoo Finance, 'Mark Zuckerberg Has Lost $40 Billion on Metaverse, Meta Results Show – And He Plans to Lose Even More', *Yahoo Finance*, 26 October 2023.
[19] PR Newswire, 'Shareholders Urge Meta Platforms' Board to Implement Governance Reforms and Reinforce Shareholders' Rights', *PR Newswire*, 25 April 2022.
[20] U.S. Securities and Exchange Commission (SEC), *Form S-1: Facebook Inc – Registration Statement on Form S-1*, Washington, SEC, 2012.