



NORGES BANK
INVESTMENT MANAGEMENT

European Commission
DG FISMA
Rue de Spa 2
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Belgium

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Feedback to the European Commission on proposed Directive on multiple-vote share structures

We are referring to the European Commission's proposal for a Directive on multiple-vote share structures in companies that seek admission to trading on an SME growth market, published in December 2022, and the related feedback period. We appreciate the opportunity to contribute our views on this legislative proposal.

Norges Bank Investment Management is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 12,429 billion Norwegian kroner at year end 2022. Of this total, ca 148 billion EUR was invested in the shares of 1,171 companies in 22 EU countries at year end. We are a long-term investor, working to safeguard and build financial wealth for future generations.

To protect their investments, all shareholders should have the right to vote on fundamental decisions concerning the company. Voting rights should be aligned with cash flow rights, so that shareholders have the appropriate incentives when exercising their vote. This alignment incentivises all shareholders to hold the board to account and make informed voting decisions. The divergence of voting from cash flow rights may entrench management and damage minority shareholders. This is because shareholders with superior voting rights, particularly when insiders, may influence corporate actions in ways that maximise their private benefits rather than company value. We therefore believe that "one share, one vote" is the best regime to secure the fair treatment of all shareholders.

As an investor in listed companies, we welcome measures that motivate companies to go public, both in the early phase of their life cycles and in more mature stages. We support the European Commission's aim to improve access to market-based financing for EU companies, and we understand that unequal voting rights may encourage founders to list early. Founders may have superior knowledge, and greater control rights can support them in implementing their vision. However, we are concerned about the consequences of unequal voting rights for minority shareholders in these cases too. Moreover, companies' requirements change over time, and founders' skills are not easily transferrable. If unequal

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voting rights are allowed, they should have a sunset clause which restricts the transfer of such shares or limits the structure to a defined period. Research has shown that over a company's life cycle the costs related to agency problems tend to increase, while the benefits decrease. Sunset clauses are therefore essential to limit the negative effects of unequal voting rights.

Against this background, NBIM welcomes the proposal by the European Commission to introduce minimum safeguards, such as the requirement for a qualified majority vote at a company's shareholder meeting, and the requirement to limit the voting weight of multiple vote shares. We believe, however, that the text could introduce minimum harmonisation on sunset clauses, which are currently left for Member States to consider. This would help ensure that the negative effects of unequal voting rights on minority shareholders are limited.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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