

**ICGN**International Corporate Governance Network
Inspiring good governance & stewardship

Dan Draper, Chief Executive Officer
S&P Dow Jones Indices
55 Water Street
New York City
United States

15 May 2023

Dear Mr Draper,

Re: Share Class Eligibility Rules for S&P Composite 1500 Index

The International Corporate Governance Network (ICGN) is concerned by S&P Dow Jones Indices' decision to allow companies with multiple class shares to be considered eligible candidates for addition to the S&P Composite 1500 and component indices.

Led by investors responsible for assets under management of \$77 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries and includes companies, advisors, and other stakeholders. The protection and enhancement of minority shareholder rights has been a long-standing focus of ICGN and its members.

ICGN's position is that **divergence from a 'one-share, one-vote' standard which gives certain shareholders power or control disproportionate to their economic interests should be avoided**. The ICGN Global Governance Principles¹ emphasize the importance of equal voting rights for all shareholders. In the event of the existence of multiple class shares, strong safeguards should be in place, such as an annual review of the share structure by the board, sunset clauses specifying that any multi-class share mechanisms will automatically lapse after a certain period or events, restrictions on transfer of such shares, and an adequate number of independent directors.

We are concerned by the "race to the bottom" that is taking place in many markets, in which the relaxation of past multiple voting rights limitations is regarded by some regulators and stock exchanges as justified to attract market listings. It is therefore important for index providers to maintain strict eligibility rules, which protect shareholders. Many ICGN members either own or manage assets using index-based passive strategies and are concerned by the governance implications of companies with multiple class shares. As we expressed in our response to your 2017 consultation and in a Viewpoint², we believe companies with multiple class shares should stay out of indices such as S&P Composite 1500.

If you would like to follow up with questions or comments, please contact our Global Policy Director, Severine Neervoort, severine.neervoort@icgn.org.

Yours faithfully,

Kerrie Waring
Chief Executive Officer, ICGN

¹ [ICGN Global Governance Principles 2021.pdf](#)

² [ICGN Viewpoint Indices and non voting shares 2017.pdf](#)