



Council of Institutional Investors
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Washington, DC 20036
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Date: 19.12.2024

Via online submission to: Comments@cii.org

Comment on CII Policy Amendments - Stealth Dual Class Structures and Reincorporation

We appreciate the opportunity to provide feedback on the Council of Institutional Investors' proposed amendments regarding stealth dual-class structures (Policy 2.6 and 3.3) and reincorporation (Policy 1.8).

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and manages the Norwegian Government Pension Fund Global, with USD 1,552 billion under management at year-end 2023, of which USD 535 billion was invested in the shares of U.S. companies.

Stealth Dual-Class Structures

We support both the expansion of Policy 3.3 to address alternative structures that misalign voting rights and economic ownership, and the addition to Policy 2.6 emphasising that boards should not enter into agreements that substantially reduce their independence in overseeing management.

As a global investor, we recognise the benefits of competition between markets and are supportive of measures that motivate companies to go public. At the same time, we believe that shareholders as bearers of the ultimate economic risk should be compensated through the right to vote on fundamental corporate decisions, and that voting rights should be proportionate to cash flow rights. As outlined in our position paper on multiple class share structures¹ and our global voting guidelines², we believe that "one share, one vote" is the best regime to secure the fair treatment of all shareholders. We have long opposed dual class share structures for their potential to harm minority shareholders and create agency costs.

We share CII's concern about mechanisms that aim to create disproportionate control through alternative means to multiple class shares, notably side agreements, complex ownership structures, and contractual arrangements. The fundamental concerns about misalignment between voting rights and economic ownership apply equally, if not more strongly, to such alternative control structures. These arrangements can introduce similar agency costs and risks to minority shareholders as traditional dual-class structures, while being less transparent and harder to monitor.

¹ See the NBIM [Position Paper on Multiple Share Classes](#), May 2020

² NBIM [Global Voting Guidelines 2024](#)

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Beyond discouraging boards from entering into such agreements, CII may wish to consider elaborating on how these principles should apply to alternative control structures that boards may have already entered into. For such existing arrangements, we believe they should at a minimum be subject to enhanced disclosure requirements in order to allow investors to better understand the true allocation of control rights and assess potential risks to their interests.


Reincorporation

Regarding the proposed amendment to Policy 1.8, we support CII's effort to expand its reincorporation policy beyond the current focus on U.S. companies moving offshore. While companies may have legitimate business, operational, or strategic reasons to consider reincorporation, we share CII's concern about reincorporations that result in weakened shareholder rights and protections.

We support the proposed policy's balanced approach, which does not categorically oppose reincorporation to any particular jurisdiction, but rather focuses on the preservation of investor rights and protections in the reincorporation process. We also welcome the policy's attention to changes in governing documents that might be introduced alongside reincorporation, as such changes can also have implications for shareholder rights, independent of the change in jurisdiction itself. As set out in our global voting guidelines, we consider the right to vote on fundamental changes affecting the company a basic right of shareholders. This includes the right to approve changes to the company's governing documents. Consistent with these guidelines, we will not support such changes if there is a lack of disclosure, if they are not in the best interests of shareholders, or if they are aimed at circumventing a corresponding shareholder proposal.

We appreciate the opportunity to provide these comments and support CII's thoughtful approach to these important governance issues. We remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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