

S&P Dow Jones reopens its indices to companies with multiple share classes

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After consultation with market participants late last year, S&P Dow Jones makes companies with multiple class shares eligible for index inclusion again.

On April 17, 2023, S&P Dow Jones Indices issued a [press release](#) announcing that companies with multiple share class structures will be considered eligible for the S&P Composite 1500 and its component indices, including the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600, if they meet all other eligibility criteria.

As we had written about in an [August 2017 client update](#), in response to Snap Inc.'s IPO in which only non-voting shares were offered to the public, the Council of Institutional Investors and others had lobbied the major index providers to bar non-voting shares from their indices, arguing that absent this change, passive investors such as index funds would be forced to invest in non-voting shares that erode public company governance. As a result, since July 31, 2017, S&P Dow Jones has excluded companies with multiple share classes from the indices comprising the S&P Composite 1500.

The decision to revisit index eligibility criteria comes after a [consultation process](#) that S&P Dow Jones ran with market participants from October to December 2022. This change means that multiclass companies, including those with Up-C structures that were also excluded as a result of the blanket ban in place since 2017, will again be eligible for inclusion in the S&P 500.

While about 90% of companies in our most recent IPO corporate governance [survey](#) opted to adopt a one-class share structure, the decision by S&P Dow Jones could affect companies considering going public as they evaluate appropriate share class structures, including those that feature high-vote / low-vote attributes.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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