Investor Group Urges Blue Apron to Ditch No-Vote Shares

“No-Vote Shares Have No Place in Public Companies”

Washington, D.C., June 21, 2017 — The Council of Institutional Investors (CII) is urging Blue Apron Holdings not to issue shares that give investors no voting rights, and to adopt a single class of shares with equal voting rights. The meal-kit delivery company plans to go public with a triple-class structure that will severely limit its accountability to public shareholders. While its IPO shares will carry one vote per share, Blue Apron’s CEO and other insiders get shares with 10 votes each. The company will also have a third class of non-voting stock in reserve.

“CII believes public companies should provide all shareholders with voting rights proportional to their holdings; newly public companies that do not should sunset the unequal structure over a reasonable period of time,” Ken Bertsch, CII’s executive director said in a letter to Blue Apron’s lead independent director, CEO and general counsel. “We strongly urge you to reconsider going public with a multi-class structure, or to incorporate sunset provisions that revert to one-share, one-vote within five years. And we urge that you make no use of Class C non-voting shares.”

Multi-class structures rob shareholders of the power to press for change when something goes wrong, which will happen sooner or later at most if not all companies. Shareholders will have no say in electing the directors who are supposed to oversee management.

Even worse is the prospect that Blue Apron could issue shares that give investors no voting rights at all. “CII and many investors are concerned that triple-class structures that include no-vote shares could become the model for companies tapping the public markets for the first time,” Bertsch said. “Non-voting shares are a perpetual-control device that lets founders hang onto their power over the company even as their economic stake shrinks. No-vote shares have no place in public companies.”

In March, Snap Inc. became the first U.S. company in recent years to go public by issuing non-voting shares. But several companies—including Google parent Alphabet, Facebook, Under Armour and Zillow—have non-voting share classes. CII and many institutional investors have
urged the main providers of stock market indexes—FTSE Russell, MCSI and S&P Dow Jones—to bar non-voting share classes from their indexes. All launched consultations seeking public comment on the eligibility of no-vote shares in indexes. View CII’s response to FTSE Russell here, and CII’s response to S&P Dow Jones here. CII has not yet filed comments in response to MSCI’s consultation.

About the Council of Institutional Investors: CII is a nonpartisan, nonprofit association of pension funds, other employee benefit plans, foundations and endowments with combined assets under management exceeding $3 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families. Our associate members include a range of asset managers with more than $20 trillion in assets under management.

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