



University of
Zurich ^{UZH}

Faculty of Law

The Virtues and Limitations of Shareholder Democracy

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The Virtues and Limitations of Shareholder Democracy

I. Introduction

II. Shareholder Democracy and Allocation of Powers

1. Criteria for the Allocation of Powers Within the Corporation

- a) Does a given task fit the role and function of the actor within the corporation?
- b) Can the actor, given the way it functions, adequately perform the task?
- c) Which actor is better suited to perform the task from a comparative perspective?



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II. Shareholder Democracy and Allocation of Powers

2. What Role for the Shareholders and the Shareholders' Meeting?
 - a) Role and function of the shareholders
 - Lack of fiduciary duties of shareholders
 - Lack of expertise and information
 - b) Functioning of the shareholders' meeting
 - Rational apathy and collective action problem of shareholders
 - Process of taking decisions
 - c) Relative advantages and disadvantages of the shareholders and management, respectively



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II. Shareholder Democracy and Allocation of Powers

3. What Role for Management?

- a) Managing the company
- b) Duty of care and loyalty



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III. The Legitimacy of Shareholder Decisions

1. No Undue Influence
 - a) Management
 - b) Proxy Advising and Voting Services

2. Decisions Taken by the Beneficial Owners
 - a) Not nominees and intermediaries
 - b) Not "empty voters" and "hidden owners"



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III. The Legitimacy of Shareholder Decisions

3. Shareholder Participation

- a) Voting right of intermediaries?
- b) Charter provisions that create incentives to vote?

4. Other Issues

- a) "One share, one vote"
- b) "Shareholder loyalty"
- c) No obstacles to using shareholder rights

IV. Concluding Remarks



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Thank you for your attention.