

# Do you need shareholder approval for a voting agreement? TSX outlines position

March 15, 2023

The Toronto Stock Exchange (TSX) has published guidance with respect to voting agreements between a listed issuer and one or more of its shareholders.

## Takeaways

- The TSX will generally not review Voting Agreements that are (i) not linked to otherwise reviewable transactions or (ii) entered into independent of a treasury issuance to the covenanting securityholder.
- Voting Agreements that have been approved by disinterested securityholders or that allow a covenanting securityholder to abstain, or not participate, in a securityholder vote are generally acceptable to the TSX.
- Voting Agreements that materially affect control of the listed issuer (as determined based on enumerated factors) will require disinterested securityholder approval.

## What is a Voting Agreement?

On February 27, 2023, the TSX published [Staff Notice 2023-0001 Voting Agreements](#) (the Staff Notice) formalizing their position with respect to Voting Agreements. The Staff Notice defines a “Voting Agreement” as an agreement between or among a listed issuer and one or more of its securityholders that requires the securityholder(s) to vote, or cause to be voted, any voting securities that they hold, or over which they exercises control or direction, directly or indirectly, as directed by management or in favour of one or more management proposals. As noted in the Staff Notice, Voting Agreements are most commonly seen in the context of director election but may also be used in relation to certain transactions or corporate actions.

## When will TSX review a Voting Agreement?

Not all Voting Agreements will be reviewed by the TSX. In particular, Voting Agreements entered into independent of a treasury issuance of listed or convertible securities to the covenanting securityholder (or its affiliates) are generally not reviewed by the TSX. The TSX will review Voting Agreements in the context of reviewable transaction under Part V

Special Requirements for Non-Exempt Issuers or Part VI Changes in Capital Structure of Listed Issuers of the TSX Company Manual or as material agreements in connection with original listings under Part III Original Listing Requirements.

The TSX will generally accept a Voting Agreement if:

- Disinterested securityholder approval for the Voting Agreement has been obtained; or
- The covenanting securityholder is permitted to abstain or not participate in a securityholder vote pursuant to the terms of the Voting Agreement.

## Material effect on control

The TSX's primary concern with respect to Voting Agreements is whether they materially affect control of the listed issuer. The TSX Company Manual defines "materially affect control" as "the ability of any security holder or combination of security holders acting together to influence the outcome of a vote of security holders". The definition further provides that whether a security holder has such an ability will depend on the circumstances of a particular case and that transactions resulting in a single securityholder or a combination of securityholders acting in concert holding more than **20% of the issuer's voting securities will be considered to materially affect control**. The Staff Notice notes that the TSX generally considers Voting Agreements to have a material effect on control of the issuer.

If the TSX will not accept the Voting Agreement based on the conditions noted above, it will consider the following factors to determine whether the Voting Agreement would have a material effect on control of the issuer and, ultimately, whether securityholder approval will be required:

- Proposed term of the Voting Agreement;
- Whether the Voting Agreement results in a block sufficient to influence the outcome of a vote (typically 20% of the issued and outstanding voting securities of the issuer, but may be as low as 10%);
- The context in which the Voting Agreement is being entered into; and
- The consequences to the covenanting securityholder for breaching the Voting Agreement.

TSX-listed issuers that plan to enter into Voting Agreement should take the TSX's Staff Notice into consideration going forward.

By

[Laura Levine, Jonas Farovitch](#)

Expertise

[Capital Markets](#)

---

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

### BLG Offices

#### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

#### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

#### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.