

Pre-Emption Group

The Pre-Emption Group publishes a revised Statement of Principles for the disapplication of Pre-Emption Rights

12 March 2015

The Pre-Emption Group has today published a revised Statement of Principles for the disapplication of Pre-Emption Rights, providing guidance to companies and shareholders on the factors to take into account when considering whether to disapply pre-emption rights. The revisions clarify the scope of the Principles to take account of market changes and developments in best practice and provide greater transparency.

Robert Swannell, Chairman of the Pre-Emption Group said:

“The revised Statement provides a framework for early and effective dialogue between a company and its shareholders. The Statement of Principles is just that – it’s not a rule book. The Pre-Emption Group strongly supports this focus on engagement.”

Key amendments to the 2008 Statement of Principles include:

- Clarification of the scope of the Statement, making it clear that it applies to both UK and non-UK incorporated companies whose shares are admitted to the premium segment of the Official List of the UK Listing Authority. Companies whose shares are admitted to the standard segment of the Official List, to trading on AIM, or to the High Growth Segment of the London Stock Exchange’s Main Market are encouraged to adopt the Statement.
- Clarification that the Statement applies to all issues of equity securities that are undertaken to raise cash for the issuer or its subsidiaries, irrespective of the legal form of the transaction, including, for example, “cashbox” transactions.
- Flexibility to undertake non-pre-emptive issuance of equity securities in connection with acquisitions and specified capital investments, consistent with existing market practice.
- Greater transparency on the discount at which equity securities are issued non-pre-emptively.

No changes have been made to the key thresholds for general disapplication of pre-emption rights.

Members of the Pre-Emption Group represent listed companies, investors and intermediaries. A full list of those involved and their affiliations can be found below. The Statement of Principles is supported by the National Association of Pension Funds and The Investment Association as representatives of owners and investment managers.

The Group will monitor and issue a report on the use of the revised Statement of Principles.

The Pre-Emption Group encourages companies and investors to begin to use the revised Statement from now on, but acknowledges that as the 2015 AGM season is imminent some flexibility may be required.

Notes to editors:

1. About the Pre-Emption Group

The Pre-Emption Group was originally set up in 2005 to produce a Statement of Principles to be taken into account when considering the case for disapplying pre-emption rights.

The role of the Pre-Emption Group is to:

- Monitor the development of practice in relation to the disapplication of pre-emption rights and report regularly on the application of the Statement of Principles.
- If necessary, agree to any revisions of the Statement of Principles after consultation with interested parties, and promote awareness of the revised Principles.
- Examine whether the processes relevant to pre-emptive issues could operate more efficiently for the benefit of companies and shareholders, and where appropriate make recommendations to the appropriate authorities.
- Provide the market with a clear view of what is usually regarded as acceptable practice when raising equity and equity-related capital non-pre-emptively in the UK equity capital markets.

The Pre-Emption Group will not express a view on, or otherwise intervene in, individual cases.

2. The legislative framework for pre-emption rights

Pre-emption rights give existing shareholders in a company the right to subscribe for their pro rata share of any new shares in that company issued for cash, providing them with protection against inappropriate dilution of their investments. Pre-emption rights are enshrined in law and, under the Companies Act 2006, may be disapplied only by a special resolution of shareholders at a general meeting of the company. The UK Listing Authority extends the pre-emption regime to overseas companies with a premium listing, regardless of where they are incorporated.

The Statement of Principles was issued in 2006 and updated in July 2008. It replaced the Pre-emption Guidelines, which had been published in 1987.

3. The members of the Pre-Emption Group are:

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| Chairman | Robert Swannell Chairman, Marks & Spencer Group plc |
| 100 Group | Matthew Lester Chief Financial Officer, Royal Mail Group |
| National Association of Pension Funds | Simon Lee Head of Investments, Lloyds Banking Group - Pensions Investment & Finance |
| Investor Forum | Simon Fraser Chairman, Investor Forum |
| Association of Corporate Treasurers | Colin Tyler Chief Executive |
| Investment Association | Greg Bennett Head of Capital Markets - EMEA & Americas, Fidelity Worldwide Investments |
| Quoted Companies Alliance | Harry Hyman Managing Director, Primary Health Properties |
| Association for Financial Markets in Europe | Charles Wilkinson Co-Head of Corporate Broking, Deutsche Bank |
| Former Director, Investment Affairs, Association of British Insurers | Robert Hingley |
| Financial Reporting Council | Hannah Armitage (Secretariat) |

4. The FRC acts as Secretariat to the Pre-Emption Group. The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. The Pre-Emption Group was supported by Linklaters.

5. All Press enquiries should be directed to:

- Peter Timberlake, Head of Communications on telephone: 020 7492 2397/ 07768 502332, or email p.timberlake@frc.org.uk
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