

Pre-Emption Group

The Pre-Emption Group publishes Monitoring Report

Pre-emption PN

12 May 2017

The Pre-Emption Group has released a monitoring report looking at implementation of the Statement of Principles and the template resolutions. Over the course of the year the template resolutions and Statement of Principles have generally been followed.

The Statement of Principles provides a framework for early and effective dialogue and is supported by The Investment Association and the Pensions and Lifetime Savings Association. However, possible examples of poor consultation or disclosure have been brought to the Group's attention.

To assist companies the Group has published an Appendix of Best Practice in Engagement and Disclosure. The Appendix reiterates the Group's view that engagement must address both the spirit and letter of the Statement of Principles. Consultation about proposed issuances must be specific and unequivocal, and the topic of whether or not pre-emption authority is to be utilised must be explicitly addressed.

In this context, companies which do not adhere to the Statement of Principles are less likely to receive ongoing shareholder support and should expect investors to question specific issuances that appear to be contrary to the Statement of Principles.

The use of the Statement of Principles will be monitored by the Group on an ongoing basis, particularly in light of the implementation of the Prospectus Regulation.

Notes to editors:

1. The Financial Reporting Council (FRC), acts as Secretariat to the Pre-Emption Group, which is chaired by Mr Robert Swannell. The Pre-Emption Group issues best practice documents regarding authorities to disapply pre-emption rights. The Group members represent listed companies, investors and intermediaries.
2. The Pre-Emption Group was initially 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 Group was re-formed in 2015 to consider market changes, developments in best practice and whether consequential revisions to the Statement of Principles may be appropriate. A new Statement of Principles was issued in 2015. The Group's members represent listed companies, investors and intermediaries.
3. 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.

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- 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 regarded as acceptable practice when raising equity and equity-related capital non-pre-emptively in the UK equity capital markets.

4. The current membership of the Group is:

- Robert Swannell, Chairman, Marks & Spencer Group plc and Chairman Pre-Emption Group
- Greg Bennett, Head of Capital Markets - EMEA & Americas, Fidelity International [affiliated to The Investment Association]
- Richard Colwell, Head of UK Equities, Columbia Threadneedle Investments
- Simon Fraser, Chairman, Investor Forum
- Robert Hingley, Partner, Ondra
- Harry Hyman, Managing Director, Primary Health Properties [affiliated to the Quoted Companies Alliance]
- Simon Lee, Head of M&S Pension Trust and Chief Investment Officer [affiliated to the Pensions and Lifetime Savings Association]
- Caroline Stockmann, Chief Executive, Association of Corporate Treasurers
- Charles Wilkinson, Chairman, UK Corporate Broking, Deutsche Bank [affiliated to the Association for Financial Markets in Europe]
- Julia Wilson, Chief Financial Officer, 3i [affiliated to the 100 Group]
- Hannah Armitage, Financial Reporting Council, Secretariat