



London
STOCK EXCHANGE

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Dear Mr Lehne

PROPOSAL FOR A DIRECTIVE ON SHAREHOLDERS' RIGHTS

I am writing to set out our concerns regarding the proposal under Article 5 of the Shareholders' Rights Directive that the notice period for general meetings be set at not less than 30 calendar days. We have received feedback from a number of our listed companies, expressing their concerns over the proposal.

Firstly, for Annual General Meetings (AGMs) we consider that 30 days is acceptable. However, we have received serious concerns from our issuers over the proposal to apply a 30 days notice period to general meetings such as Extraordinary General Meetings (EGMs) – this is too long, and we believe it would have serious capital markets' implications. It is important to give investors enough time to make decisions, however there needs to be a balance between shareholder engagement and the ability of boards to react promptly to opportunities and events.

Our concern is that the directive does not make sufficient allowance for the fact that AGMs and EGMs are called for very different purposes. An EGM may need to be called at short notice or may be called to address market-sensitive issues such as raising capital or other corporate activity. These issues often need to be dealt with quickly and decisively. There is no evidence that the level of shareholder voting is significantly affected by the shorter notice period. By contrast the AGM largely deals with routine matters that are not time-sensitive.

We are concerned that such a long notice period will substantially increase costs. One of our issuers illustrates this with the following point:

“EGMs are used by UK listed companies to approve major transactions, which often have expensive financing attached. Underwritten rights issues are also often part of that. Underwriters charge their commission on a daily or weekly basis (or part thereof basis). Moving EGMs from 14 to 30 days will over double

the fees - which in our case in 2002 would have added some £4.5 million to the underwriting costs”.

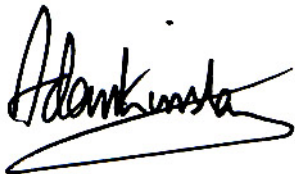
Additionally, in some jurisdictions, companies are required to have meetings to approve major acquisitions or disposals (“class tests”). A longer notice period will have implications on this. Firstly, it will extend the period of uncertainty in respect of these transactions and incur adverse cost and risk implications as a result. Secondly, companies that are required to have such meetings are at a disadvantage to a bidder for the same business if the other bidder is from a jurisdiction that is not required to obtain shareholder approval of major transactions. Extending the notice period from 14 to 30 days will only exacerbate the problem.

In summary, we believe the directive needs to differentiate between AGMs and other meetings. We believe that a 30 calendar days notice period for EGMs would deter companies from EU regulated markets and will not appreciably advantage shareholders. We believe that 14 calendar days would be a more appropriate timeframe for such meetings.

We have set out below a selection of comments made to us by users of our markets.

I hope our views are helpful. Please do not hesitate to contact me if you wish to discuss any aspect of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Kinsley', with a long horizontal flourish underneath.

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cc. Wolf Klinz MEP

APPENDIX

“First, the 20 day working model for UK AGMs seems to be a better term of reference in protecting shareholder interests and has worked well in the UK. Outside of AGMs, companies need the flexibility on occasion to communicate with their shareholders by way of other general meetings. The proposed 30 calendar notice places what we consider to be unworkable constraints on the efficient operation of corporate governance, and is against shareholder interests.

Second, the UK press on 11 January 2006 reported Commissioner McCreevy saying that “...*extraordinary general meetings to discuss a takeover approach would only require 14 days’ notice*”.

We can find no such wording in the draft and would suggest that the directive is revised to incorporate suitable wording”.

“To move to 30 days for an EGM would further damage the position of London Listed Companies compared to those with foreign listings or private companies (including private equity Groups) when it comes to making large acquisitions etc. This would, in my view be a very retrograde step and would not enhance shareholder rights. The current 10 clear business days notice is more than adequate for calling an EGM and the move to 30 would be an unnecessary additional delay which would only lead to Companies being disadvantaged”.

“I am strongly of the view that 14 day notice periods must be maintained. 30 days would cause major capital market issues”.

“From the point of view of (a relatively small) listed company I would support [an] EGM notice [of] 10 working days or 14 calendar days, as this provides a balance between practicality and ensuring sufficient notice to enable action to be taken. Why extend the notice for AGMs? The key criterion here is ensuring that there is sufficient time between the posting date for the Annual Report ... and the AGM. Any extension of time either exerts pressure on the posting date (and therefore on an already tight production deadline for the Annual Report) and the actual date of the AGM. Alternatively a separate notice will have to be posted causing unnecessary expense and further time wasting. Extension of notice will delay the date of AGMs quite unnecessarily and in our case have a negative impact on our corporate timetable”.

“..... on the subject of EGM notice periods:

- there was no problem with 21 days to start with (i.e. certainly no need to extend it), because even with overseas shareholders that is sufficient time to come to a voting decision - where there is a particular need for extra time (e.g. in schemes of arrangement) the court can stipulate a longer period
- it will increase underwriting costs in certain situations, for example rights issues
- there needs to be a balance between shareholder engagement and the ability of boards to react promptly to opportunities.
- it will also extend the period of uncertainty in respect of transactions that require approval at EGMs such as class1 transactions and reverse takeovers by effectively doubling the gap required between exchange and completion - there will be adverse cost and risk implications of that, although the added benefits are rather intangible and certainly not proportionate.
- our own experience is that we have not had situations where shareholders have indicated that they thought the current notice periods are too short

And so, on balance [there] should be 14 days for special resolutions proposed at EGMs. Just for completeness, given the different purpose of AGMs and the ability to plan ahead annually, we do not believe it would be unduly inconvenient for companies to factor into their diaries a 30 day notice period for AGMs”.
