

Press Release

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UK Shareholders Association
BM UKSA
London
WC1N 3XX

Phone: 0870-70-60-600
Email: uksa@uksa.org.uk
Web: www.uksa.org.uk

UKSA Welcomes Company Law Reform White Paper But Suggests it Does Not Go Far Enough

The Government has recently published a White Paper on a proposed Company Law Reform Bill which is likely to be introduced into the current parliamentary session. The UK Shareholders Association (UKSA) is generally supportive of the proposed changes as it brings legislation more into line with the modern world. For example, there is more emphasis on electronic communication between companies and their shareholders, although as noted below, UKSA suggests this should be extended further. It would also make it easier to get resolutions proposed by shareholders onto the agenda for a General Meeting of a company and have it circulated at the company's expense which will improve shareholder democracy.

UKSA Still Opposes Nominee Accounts and Deplores the Recent Actions by Shell

The bill is also likely to include enabling legislation for the enfranchisement of nominee shareholders (for example those in PEPs and ISAs) and the "dematerialisation" of paper share certificates based on the ESF proposals which UKSA has already supported. UKSA's views are that the former change will improve the rights of nominee shareholders but will not change UKSA's opposition to the extension of the use of nominee accounts which in our view fundamentally undermines a shareholder's rights by removing them from the company share register. For example UKSA deplores the recent move by Shell to place certificated shareholders into the company's nominee service by default when the pending merger takes place.

UKSA Suggests More Information Should be Available Electronically

The proposals regarding electronic communication only cover the provision of Reports & Accounts and Proxy Voting whereas UKSA would like to see all information published by a company to be available electronically. That includes both being available on the company's web site and distributed via email to shareholders who opt for that. This information should include RNS announcements, presentations to shareholders and analysts, prospectuses and company press releases. For too long private shareholders have been prejudiced in comparison with institutional investors in terms of the receipt of timely and comprehensive information about the activities of those companies in which they have invested.

UKSA Is Also Concerned About Shareholders Without Electronic Capabilities or Those Who Prefer to Receive Paper Documents

However we also recognise that many private shareholders are elderly or retired and may not have easy access to the internet or email. We feel it is important to ensure that they continue to have the option to receive information in paper form if they so desire, whether they are direct shareholders or in nominee accounts. This is also important with regard to Annual Reports. Passing the cost of printing to the end-user is not the best solution, and printing large reports locally may be technically difficult, when few people want to read them "on-screen".

We are also concerned that any default to "opt-out" for shareholder communication will undermine shareholder democracy and discourage knowledge and understanding about the activities of companies, which would be a retrograde step in the corporate business environment.

Note to editors:

Our full comments on the Government White Paper on Company Law Reform can be seen on our web site at: http://www.uksa.org.uk/Company_Law.htm . The Government White Paper can be found on the DTI web site at: <http://www.dti.gov.uk/cld/WhitePaper.htm>

About The UK Shareholders Association (UKSA)

UKSA is the leading independent organisation which represents the interests of private shareholders in the United Kingdom. We campaign to protect the rights of shareholders in public companies, and to promote improved standards of corporate governance. Our educational activities, regular regional meetings, company "analyst" meetings and the resources of our web site, help to inform the public on investment management. UKSA is solely owned by and primarily financially supported by its individual members.

For further information, please contact:

Roger Lawson, Communications Director
Telephone: 020-8467-2686
Email: roger.lawson@btclick.com

or; David Blundell, Chairman
Telephone: 01937-572327
Email: dwwb@btinternet.com

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