

Press Release

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Company Law Reform Bill About to Introduce Bad Law

The UK Shareholders Association (UKSA) has expressed grave concern about the provisions in the Company Law Reform Bill (now the "Companies" Bill) in respect of access to share registers.

The lack of definition of "proper purpose" in the original Bill was raised in the House of Lords by Baroness Murphy and others, to no effect. The Government has persisted with a Bill which does not make it clear what is a justifiable reason for organisations such as UKSA to request a copy of a company's share register. It seems to us basically wrong that laws should be enacted that are unclear and which will depend on the whim of a judge to decide whether a request is fair or not. Unfortunately the recent threat of harassment to GlaxoSmithKline shareholders caused unconsidered decisions to be made when more time for thought was required.

As one of the few organisations that regularly request access to share registers, so that we can promote our views to shareholders in a company, it will put us in a position where we do not know:

- a) what the law is;
- b) whether we may incur large legal fees as a consequence of such a request (under Clause 117 (3)(b)) ; and
- c) whether we may be committing a criminal offence (punishable under Clause 119(2) with up to two years imprisonment).

Are our letters to shareholders that point out problems in the management of companies, or advising them on the financial or business situation of a company to be considered a "proper purpose" or not? We simply do not know.

And how would our letters differ in principle from those of a group that is opposed to the way a company does business (such as animal rights activists)?

This poor piece of legislation will undermine shareholder democracy and enable the directors of a company to threaten such organisations as us with large legal bills if we simply request access to their shareholders.

With regret, it seems to us that the Government does not wish to try and define what is a "proper purpose" because it simply does not know what one is. So how a judge is going to be any wiser, we do not understand. All we are likely to end with up after some years of uncertainty while precedents are set, is a mish-mash of ad-hoc decisions which will not make it any clearer. And it will be a lawyer's paradise for excessive and needless fees. In essence this is bad law, drawn up in haste and without sufficient consideration.

Surely much better to do more public consultation on this issue, and then lay down some principles in Regulations, which can be subject to later review by the Secretary of State?

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 a "not for profit" organisation which is financially supported primarily by its individual members.

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The relevant Clauses in the Companies Bill are 114 onwards which can be seen in the following internet document:

<http://www.publications.parliament.uk/pa/cm200506/cmbills/218/2006218a.pdf>

(this is the Bill as it exited the Commons Committee recently).