

CLAIM FOR PRIVATE SHAREHOLDERS' RIGHTS

SECTION 1 RELATING TO COMPANIES & DIRECTORS

Main Principle

Private shareholders should have the right, in practice, to equality with other shareholders, as owners of the business. This means collectively in proportion to their number, as regards influence, distribution of a company's earnings and wealth and participation in new fund raising.

Supporting Principles

Company boards should ensure that all private shareholders are given access to information that is equal to that given to other shareholders.

Company reports must not only meet statutory and regulatory requirements, but must also ensure that all information which may be relevant to the company's future solvency and profitability which is known or should be known by the board is presented clearly for all shareholders to see.

The importance of the AGM to private shareholders must be recognised by company boards and chairmen in particular, being the only forum in which they can be heard and call directors to account. Its importance should be enhanced rather than diluted, to ensure that private shareholders collectively are given full opportunity to exercise their rights.

Company boards should seek opportunities to meet one or more representative groups of private shareholders other than at the AGM, to provide them collectively with an opportunity to influence matters of concern to them equivalent to that which is given to institutional and other major shareholders meeting in private.

Objectives

1. At any general meeting, each agenda item should be dealt with separately, with questions invited and comments allowed, a hand vote taken and the result declared, before there is any question of moving to a poll or to the next item. Voting by show of hands must be retained and votes cast at a meeting should be distinguished from those cast by proxy.
2. All general meetings must be run in such a way that members present are able to question any director on any relevant matter, which should be supplemented by each company establishing a practicable method of answering and publishing the answers to all pre-submitted questions.
3. Where a group of private investors formally requests the establishment of a representative private shareholders' committee, the board should facilitate this, through access to the share register for the purposes of election, the provision of appropriate meeting facilities, use of secretarial facilities and the availability of one or more directors to meet the committee, to enter into a continuing dialogue with it based on the mutual understanding of objectives and to ensure that all members of the board are aware of that dialogue
4. New directors' contracts of employment and any significant changes to directors' contracts of employment should be written in such a way that they will not have full legal effect until after members' approval has been given to the directors' remuneration report.
5. A company's owners must have the right to control the pay of directors and senior employees. Remuneration consultants must therefore be made accountable to the shareholders, their reports made available to shareholders and their reappointment sanctioned at each AGM.

SECTION 2 RELATING TO REGULATORS

Main Principle

Regulation must recognise that investors are not consumers but, to the extent that they are in number or nature a minority, need regulatory protection from exploitation and other mistreatment. Regulation to protect the individual is as important as regulation to promote efficient, orderly and fair markets and the former must not be subsidiary to the latter.

Supporting Principles

Service providers such as stockbrokers, registrars and commercial providers of nominee accounts must be regulated as such, with the interests of private investors in mind, not as members of a financial service industry with an entitlement to profit protection.

In order to protect the individual, the regulatory function must not only prevent abuse of the individual, but must also ensure a climate of openness and transparency to enable the individual to make the best judgement in all circumstances.

Pre-emption rights for existing shareholders, when new shares are issued at a price below that of existing shares, must be preserved.

Objectives

6. Private shareholders must be treated as company owners, not as 'consumers', with provision for any organised group of them to have the same or equivalent facilities of access to pursue a complaint of inadequate regulatory control, or inadequate official supervision, as is available to institutions, professional bodies and other 'market participants', with the right to publication of any adjudication and the reasons behind it.
7. It should be a regulatory function to protect private shareholders from abuse of the pre-emption principle, setting the standards to be achieved, supervising adherence to them and seeking means of ensuring that the processes to be followed for rights issues are not unduly onerous.
8. Directors, employees and connected parties should be prohibited from participating in any issue of new shares that does not carry pre-emption rights, unless as part of a shareholder-approved remuneration arrangement.
9. All broker platforms must be required to identify clearly shares that are quoted in markets which function with lesser rules and rights than the highest level, with a link that provides information about the main differences in shareholder rights.

SECTION 3 RELATING TO PARLIAMENT

Main Principle

Parliament must legislate to ensure that commercial corporations are subject to ultimate control by those who have a beneficial interest in their long-term future.

Supporting Principles

All beneficial owners of equities must enjoy equal ownership rights and not be subordinate to those whose interest is merely agency or derivative.

The rights of those holding company shares on behalf of others (nominee account providers in particular) should be obliged to take account of their beneficial owners' individual interests at all times.

Other holders of shares who are not the beneficial owners, including custodians and share borrowers, should be disenfranchised.

Objectives

10. No company or commercial nominee account provider should be allowed to make any distinction between the rights of those holding shares in certificated form, private CREST accounts or nominee accounts, whether or not they have internet access, thus removing voting rights from those who provide nominee accounts.
11. Parliament must legislate to bring the security of ownership of non-certificated beneficial interests up to the same level as certificated ownership.
12. Companies Act provisions intended to protect shareholders in public companies must be made more readily enforceable by those who have cause to take such action and the remedies available must be appropriate for the offences committed.