

## Press Release

For immediate release  
16 January 2008

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## Shareholders Show their Power at Northern Rock EGM

Shareholders attending the Extraordinary General Meeting (EGM) of Northern Rock Plc in Newcastle yesterday clearly demonstrated their power to block any future proposals with which they might be unhappy.

There were four resolutions requisitioned by SRM Global and RAB Capital on the agenda which were intended to tighten up the Articles of Association of the company, and hence inhibit the board from major transactions such as asset disposals without shareholder approval.

The first resolution was passed by 65.9% to 34.1% despite the recommendation of the board to vote against it. Similar percentages were recorded on resolutions 2 to 4, but as these were "special resolutions" that require a 75% majority, they did not pass. There were also a substantial number of votes "withheld" on each of those resolutions, again showing some dissent from the board's view.

Although 3 out of 4 of the resolutions were lost, there was a majority of over 65% in favour of the requisitioned resolutions. The really significant point though is that if shareholders showed the same level of unanimity in opposing any of the "strategic review" options that might be put to them (such as the Virgin Group offer), then they would clearly win the vote even if the board recommended such proposals.

### Private Shareholders Appear to Have Had a Major Influence

In addition it appears that with SRM and RAB holding 10.25% and 7.8% of the companies shares respectively, plus with the stated support of Andra Ap-Fonden with 1.8%, that only adds up to about 84 million shares out of the total of 421 million. But approximately 104 million were voted for these critical resolutions and another 8 million abstained.

It is known that PIRC who advise institutions on corporate governance issues advised them to support the board on these votes, so it seems unlikely that many other institutions voted "for" resolutions 1 to 4. And it therefore also seems probable that private shareholders, who number over 150,000 and probably represent up to 25% of the total shares, voted substantially in favour of resolutions 1 to 4 (where they voted at all) as recommended by the UK Shareholders Association.

In addition private shareholders seemed to express some dissatisfaction with the directors (including the new Chairman, Bryan Sanderson) by recording up to 8% of votes against their re-election whereas it is known that SRM and RAB supported that aspect of the votes (UKSA advised our supporters to either vote in favour or abstain).

But the board and the Chairman generally received a less critical reception in terms of spoken questions and comments at the meeting than had been anticipated which is probably accounted for by the speech given by Mr Sanderson and the comments from other directors. These tended to reassure shareholders as to the commitment of the board to their interests. The promises made about giving shareholders a vote on any crucial future decisions also no doubt helped.

**For further information, please contact:**

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Note that a full report on the EGM will be posted on the following page of our web site: [www.uksa.org.uk/NorthernRock.htm](http://www.uksa.org.uk/NorthernRock.htm) as soon as possible.

The voting figures at the EGM can be seen on the Northern Rock web site on this page: [http://companyinfo.northernrock.co.uk/downloads/EGM\\_Results.pdf](http://companyinfo.northernrock.co.uk/downloads/EGM_Results.pdf)

**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.