

Press Release

For immediate release

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Give Private Shareholders a Say!

A Bill to Give Private Shareholders a New, Formal Voice in these Critical Times

*Press Conference by UKSA and Bill Cash, MP,
Attlee Room, Portcullis House, Bridge Street, Westminster
Wednesday 18 March – 2.15pm*

You are invited to a press conference with UKSA and Bill Cash⁽¹⁾ who will tomorrow present his Protection of Shareholders Bill to the House which will give influence to the private shareholders of public companies. This has the full support of the UK Shareholders Association. The bill is a long-overdue recognition of the governance vacuum that has developed with changes in the pattern of share ownership. It has led to major corporations pursuing objectives that are not in the interests of the long-term beneficial owners, and therefore not directed towards long-term wealth creation and the efficient allocation of capital.

Private shareholders have been increasingly left high and dry, and public companies found wanting. A new, modern structure in Company Law is needed to reflect the current needs and rights of private shareholders and to restore faith in public companies. Private shareholders, who are essential to enterprise, are virtually ignored - with no effective voice or means of communication. Their role is relegated to a neutered voice at AGMs. This bill would introduce a responsible, proportionate degree of shareholder democracy into the Companies Act.

Control of most public companies is in the hands of the financial institutions⁽²⁾, (typically in the form of investment funds, such as pension funds and unit trusts, managed on behalf of others) or of overseas investors. Constrained by the economics of their industry⁽³⁾, investment managers have shown neither the time nor the inclination to exercise their obligations as responsible shareholders of the companies they own.

There are also potential conflicts of interest inherent in the diversified activities of financial conglomerates of which fund management is usually a part. Stockbroking, trading, underwriting and particularly investment banking benefit from volatility and 'deal flow' and not from the unspectacular devotion to the basics of good business that characterises well-managed wealth creation.

The Protection of Shareholders Bill requires companies to establish Shareholders Committees to facilitate consultation and communication between a company's board and its shareholders. These will oblige the directors to give proper attention to the interests of all owners of the business. Uniquely, the members of these committees are to be elected only by shareholders who are beneficial owners of the shares registered in their name. This right is also extended to beneficial owners who invest through nominees – an extensive class of private shareholder currently disenfranchised⁽⁴⁾.

UKSA®—The independent voice of the private shareholder

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Notes for Editors:

More explanation of the Bill is present in this document on the UKSA web site:

www.uksa.org.uk/POSB_Explanation.pdf .

(1) *Bill Cash became an M.P. in 1984, is currently M.P. for Stone and has taken an active interest in the promotion of enterprise and ethical corporate governance.*

(2)

Ownership of UK Equities (%)		
	1963	2006
<i>Individuals</i>	54	13
<i>UK Institutions</i>	28	33
<i>Overseas</i>	7	40
<i>Others</i>	11	14
	100	100

Source: Office for National Statistics

http://www.statistics.gov.uk/downloads/theme_economy/Share_Ownership_2006.pdf

(3) *The economic constraints on the exercise of governance by institutions are:*

- *it is easier and cheaper to buy or sell shares than to dedicate time and skill to re-directing corporate management; and*
- *funds are marketed on the basis of relative, not absolute, performance, so actions that equally benefit other fund manager competitors are not economically sensible.*

(4) *The Companies Act 2006 gives shareholders through nominee accounts the absolute right to vote only if the Company's Articles are changed. Neither companies' dominant institutional shareholders nor the companies themselves want this. It is not happening.*

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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