

# Pre-Emption Group

## APPENDIX OF BEST PRACTICE IN ENGAGEMENT AND DISCLOSURE

### Applying for disapplication authority

- The template resolutions provide for companies to propose separate resolutions to authorise companies to:
  - o disapply pre-emption rights on up to five per cent of the issued share capital; and
  - o disapply pre-emption rights for an additional five per cent for transactions which the board determines to be an acquisition or other specified capital investment as defined by the Statement of Principles.
- Investors consider that the additional five per cent disapplication authority included in the template resolutions should only be proposed when appropriate for the individual company's circumstance.

### For an issuance

- Companies should, where possible, signal an intention to undertake a non-pre-emptive issue at the earliest opportunity and to establish a dialogue with the company's shareholders.
- Consultation about proposed issuances, including that the issuance is taking advantage of the additional five per cent authority for acquisitions or other specified capital investment, must be specific and unequivocal to be considered appropriate. Such consultation should be with a wide range of shareholders.
- Shareholders should, where possible, engage with companies to help them understand the specific factors that might inform their view on a proposed disapplication of pre-emption rights by the company. They should review the case made by a company on its merits and decide on each case individually using their usual investment criteria.
- When an additional five per cent disapplication authority is used, companies should disclose, in the announcement regarding the issue, the circumstances that have led to its use and describe in detail the consultation process undertaken.
- Issuers are reminded that any issuance in excess of the general disapplication resolution of five per cent will only be within the ambit of the Statement of Principles if it is in connection with an acquisition or specified capital investment. Issuance in excess of five per cent of ordinary share capital for other reasons is not consistent with the ambit of the Statement of Principles. This includes, but is not limited to, and issuance by way of a 'cashbox' placing.
- Companies will be expected to disclose any discount at which equity is issued in the announcement of the pricing of the relevant issue. Companies' attention is drawn to the guidance on calculation of discounts for these purposes in the Appendix to the Statement of Principles.

## The next Annual Report and Accounts after issuance

- Companies are expected, where they have undertaken a placing using the disapplication of pre-emption rights, to publish in the next annual report:
  - o the actual level of discount achieved;
  - o the net proceeds raised;
  - o how those net proceeds were used; and
  - o the percentage increase in issued share capital due to non-pre-emptive issuance for cash over the three-year period preceding the issue.

The Pre-Emption Group advises that companies which do not comply with the letter and spirit of the Statement of Principles are likely to find their shareholders less inclined to approve subsequent requests for disapplication.

The Statement of Principles provides a framework for engagement between companies and investors. Disapplication requests mirroring the size, duration and resolution format outlined in the Statement of Principles and this document are likely to be well supported by shareholder. However, effective dialogue remains the cornerstone of the Statement of Principles and companies and investors should use this framework to begin such discussions.