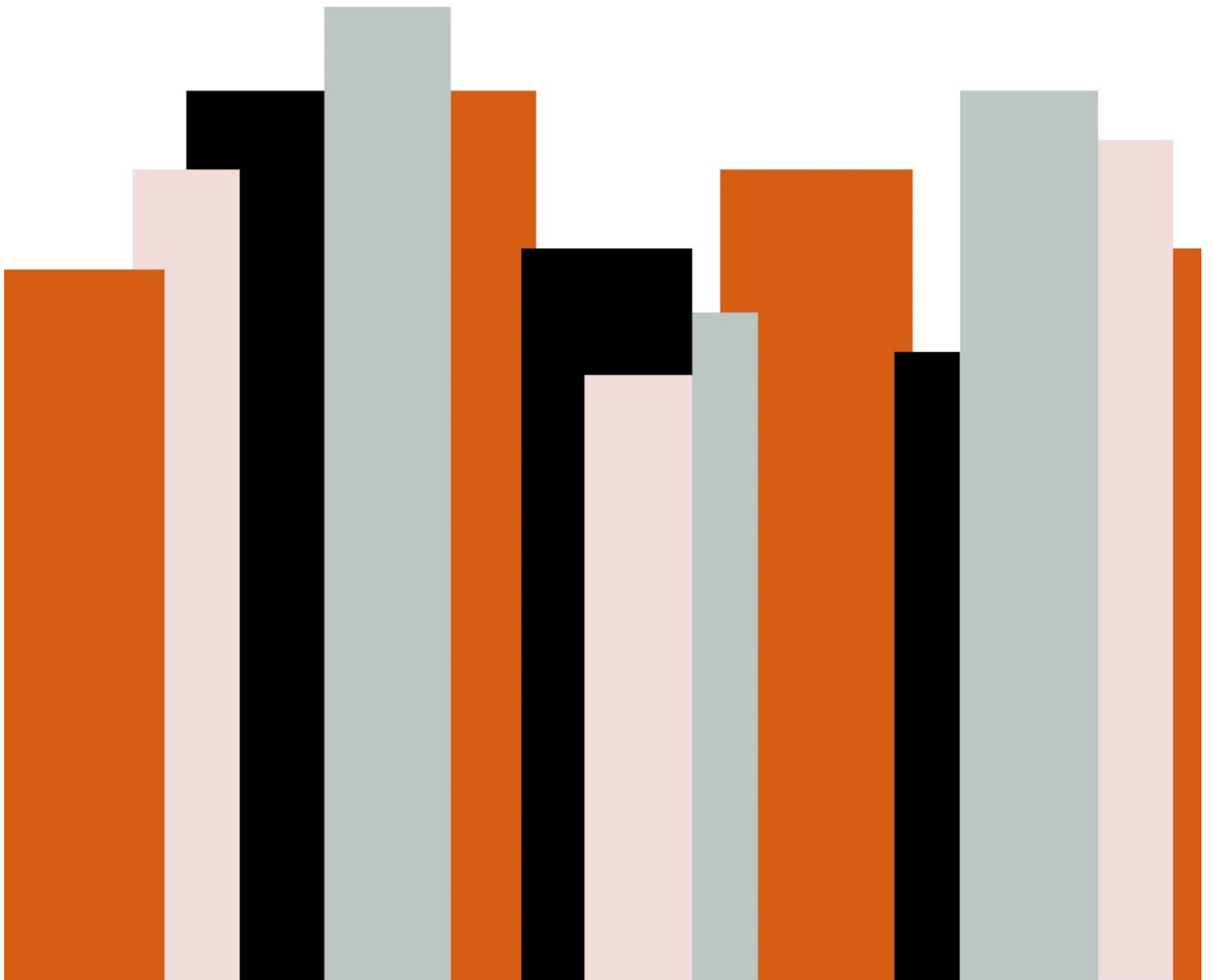


# Pre-Emption Group

## ANNUAL MONITORING REPORT

2023 - 2024

November 2024



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# Contents

	<b>Page</b>
Introduction from the Chair	4
Monitoring	6
Conclusion	13
Appendix	15

# Introduction from the Chair

I am pleased to introduce the Pre-Emption Group (PEG)'s annual report monitoring the use of its Statement of Principles in disapplying shareholder pre-emption rights. This is the second report monitoring the implementation of the Principles since their revision in 2022.

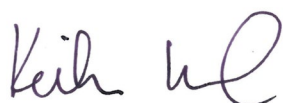
The past year has seen several significant developments to promote the growth and competitiveness of UK capital markets. Notably, the new Government announced its commitment to fostering an environment that supports innovation, investment, and economic expansion. Additionally, in July, the Financial Conduct Authority (FCA) published its updates to the UK Listing Rules, which aim to streamline the listing regime and remove barriers to companies' acquisition of capital. The updates also move the UK towards a disclosure-based system, which keeps investors informed while enabling greater flexibility for companies. The PEG's own objectives aim to ensure that investor protections are upheld while accommodating the evolving needs of the market.

In line with our mission to promote transparency, I am delighted to announce that this year, the PEG has published a library of post-transaction reporting on our website. This resource is a public record of disclosures provided to us by companies which have utilised a disapplication authority to conduct a share issuance. The development of this resource also fulfils an expectation set out for the PEG in Mark Austin's UK Secondary Capital Raising Review (2022).

As we look ahead, the PEG remains dedicated to supporting the UK's capital markets and ensuring that they operate in a fair and transparent manner. We recognise the importance of balancing the protection of shareholders' rights with the need for flexibility so that companies may raise capital efficiently. Our ongoing work will focus on maintaining this balance and addressing any emerging challenges that may arise.

I would like to extend my gratitude to all members of the Group, our stakeholders, and the broader market community for their continued support and collaboration. Together, we can ensure that the UK remains a leading global financial centre.

Sincerely,



Sir Keith Skeoch  
Chair, Pre-Emption Group

# 67.1%

Of the FTSE 350 companies with an AGM during the study period sought enhanced disapplication authority allowed under the 2022 Principles.

# 4.7%

Average percentage of votes against disapplication authority resolutions.

# Monitoring

This report examines the implementation of the Statement of Principles by FTSE 100 and FTSE 250 companies for meetings held between 1 August 2023 and 31 July 2024. The following data concerns only resolutions seeking disapplication authorities and their voting results. Company disclosures on the disapplication of pre-emption rights in share issuances can be found in the post-transaction reporting database on the PEG webpage.

Companies in the following data set have been categorised by reference to the FTSE index they were a member of at the time of their AGM. Companies which were not a member of either index at the time of their AGM were not included in the sample. Readers should also note that some companies have been included in the sample twice because they held two AGMs during the study period.

The data was compiled using publicly available company AGM notices and AGM results. Research was in part facilitated by the Thomson Reuter's Practical Law platform.

During the study period a total of 347 companies in the FTSE 350 held an AGM; this includes 102 companies in the FTSE 100 and 245 companies in the FTSE 250.

## Number of companies that sought authority to disapply pre-emption rights during the study period

Index	Count
FTSE 100	99
FTSE 250	235
<b>Total</b>	<b>334</b>

During the study period 334 companies in the FTSE 350 tabled a resolution seeking authority to disapply pre-emption rights at their AGM. This represents 96.3% of the 347 companies which held an AGM during this time.

## Number of companies that sought enhanced authority to disapply pre-emption rights during the study period

Index	Count
FTSE 100	46
FTSE 250	178
<b>Total</b>	<b>224</b>

Enhanced authority refers to a disapplication request where either the request for general corporate purposes, or the request for a specified capital investment, exceeds the authority previously allowed under the 2015 Statement of Principles. A total of 224 companies in the FTSE 350 sought enhanced authority during the monitoring period. This represents 67.1% of the 334 companies in the FTSE 350 which tabled a resolution to disapply pre-emption rights during this time.

One company tabled a resolution which did not specify the percentage of the authority to disapply pre-emption rights they were seeking and as a result have not been included in this count.

The percentage of companies which sought enhanced authority has notably increased since the 2022-23 monitoring period. The PEG's previous monitoring report found that 55.7% of companies which tabled a disapplication resolution requested enhanced authority. This suggests that companies are gaining confidence in the 2022 Statement of Principles.

## Disapplication requests breakdown

Index	Percentage disapplication request									
	General corporate purposes				Follow-on	Specified capital investment				Follow-on
	<5%	5%	10%	>10%	2%	<5%	5%	10%	>10%	2%
FTSE 100	2	53	44	0	31	0	39	39	0	30
FTSE 250	0	58	167	9	81	0	40	96	0	76
<b>Total</b>	<b>2</b>	<b>111</b>	<b>211</b>	<b>9</b>	<b>112</b>	<b>0</b>	<b>79</b>	<b>135</b>	<b>0</b>	<b>106</b>

Companies continue to request a variety of differently sized disapplication authority requests. Of the companies which tabled a resolution seeking authority to disapply pre-emption rights, 64.1% sought it in relation to a specified capital investment. Note that the company which did not specify a limit on the disapplication authority sought is not included in the above table.

Many use components of the PEG template resolutions, accompanied by explanatory notes articulating why the disapplication authority is appropriate for the company's unique needs and circumstances. These disclosures and proactive engagements with shareholders represent better practice application of the Principles.

There were nine instances of companies seeking 20% disapplication authority for general corporate purposes. Although these requests do not follow the PEG Statement of Principles, we note that all nine companies' resolutions passed, seven of which had their resolutions passed with less than 5% votes against. The Group notes that many of these resolutions were tabled by investment trusts, where the market generally allows more flexibility concerning share capital issues.

## Time limit on specified capital investment

Index	Time limit		
	6 months	12 months	Unclear
FTSE 100	21	56	1
FTSE 250	36	99	1
<b>Total</b>	<b>57</b>	<b>155</b>	<b>2</b>

For companies seeking to disapply pre-emption rights for the purpose of refinancing a specified capital investment, the Statement of Principles notes a time limit on how many months prior the investment may have been made. The 2015 Statement of Principles advised a six-month time limit on prior specified capital investments; the 2022 Statement of Principles increases this limit to 12 months.

The Group's previous monitoring report made clear that including the six-month time limit in resolutions is no longer considered best practice.

Of the FTSE 350 companies which put forward a resolution concerning the disapplication of pre-emption rights in the case of a specified capital investment, 26.6% included the six-month time limit. This is a notable decrease from the 42.6% which included a six-month time limit in the previous year. We expect to see this percentage continue to fall in subsequent years.

There were two instances where no time limit was specified in the resolution.

## Restriction of authority to disapply pre-emption rights to 7.5% in a rolling three-year period

Index	Count
FTSE 100	14
FTSE 250	30
<b>Total</b>	<b>44</b>

The 2015 Statement of Principles advised that companies should not issue non-pre-emptively for cash equity securities that represent more than 7.5% of its issued ordinary share capital in any rolling three-year period. This limit is not included in the 2022 Principles and is no longer considered best practice.

We are pleased to see that only 13.2% of companies which tabled a resolution to disapply pre-emption rights included the outdated time limit. This is a notable decrease from the 25.3% which included it in the previous year, and we expect to see this percentage continue to fall in subsequent years.

## Voting results for disapplication resolutions

Index	All passed	All failed
FTSE 100	99	0
FTSE 250	233	2
<b>Total</b>	<b>332</b>	<b>2</b>

Note that disapplication resolutions must be submitted as special resolutions, and therefore require 75% of shareholders voting in support to pass. The PEG template resolutions suggest companies submit one resolution seeking disapplication authority for general corporate purposes, and a second resolution seeking it for a specified capital investment if applicable.

Of the 334 companies which tabled disapplication resolutions, 332 had all resolutions pass. The two companies with failing resolutions each only submitted a single resolution seeking disapplication authority for general corporate purposes.

## Votes against resolutions seeking disapplication authority for general corporate purposes

Index	Percentage of votes against					
	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
FTSE 100	71	12	12	3	1	0
FTSE 250	174	33	10	5	2	2
<b>Total</b>	<b>245</b>	<b>45</b>	<b>22</b>	<b>8</b>	<b>3</b>	<b>2</b>

Of the companies which tabled a resolution seeking disapplication authority for general corporate purposes, 75.4% passed with less than 5% votes against.

There were three FTSE 250 companies which sought disapplication authorities for both general corporate purposes and specified capital investments within a single resolution. All three passed with less than 5% votes against and are included in the table above.

This table also includes voting results on resolutions from two companies which sought 20% disapplication authority for general corporate purposes in a single resolution. One received 0.5% votes against and the other received 5.0% votes against.

## Votes against resolutions seeking disapplication authority for a specified capital investment

Index	Percentage of votes against					
	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
FTSE 100	43	14	14	7	0	0
FTSE 250	63	41	19	7	3	0
<b>Total</b>	<b>106</b>	<b>55</b>	<b>33</b>	<b>14</b>	<b>3</b>	<b>0</b>

Of the companies which tabled a resolution seeking disapplication authority for a specified capital investment, 49.5% passed with less than 5% votes against.

There were seven companies which sought 20% disapplication authority for general corporate purposes across two resolutions (10% disapplication authority in each.) The table above includes voting results for the second resolutions put forward, six of which received less than 5% votes against, and one received less than 10% votes against.

# Conclusion

The Group is pleased to see continued widespread support from companies and shareholders alike for the 2022 Statement of Principles. Nearly all resolutions for disapplication authority were passed with more than 75% shareholder approval.

However, we acknowledge that levels of shareholder dissent are elevated above that of other types of resolutions tabled during this AGM season. The appendix of this report includes a detailed breakdown of votes against resolutions by the percentage of disapplication request. This helps to identify exactly where shareholder dissent is elevated and how this correlates with enhanced disapplication authority requests. The PEG will continue to monitor this over longer market cycles.

The Group understands that when considering elevated disapplication authorities, shareholders will carefully examine the company's governance and apply a higher level of scrutiny than they may for other voting decisions. Levels of confidence in a company's governance may prompt a vote against a disapplication resolution.

Additionally, there remains a small minority of investors who do not support the 2022 Principles, in part due to the elevated limits of disapplication authority they allow. The Group will continue to monitor this over longer market cycles and may engage with the market in the future if the levels of dissent remain elevated.

We note that there were 12 companies which did not follow the PEG Principles in the disapplication resolutions tabled. One company did not note a specific percentage of disapplication authority in their resolution. Nine companies sought 20% disapplication authority for general corporate purposes.<sup>1</sup> Three companies sought disapplication authority for both general corporate purposes and specified capital investments but tabled the request as a single resolution.

Companies may, from time to time, decide that they must seek disapplication authority outside the bounds of the PEG Statement of Principles. The Group advises all companies to engage with shareholders prior to their AGM, but this is especially important for companies putting forward resolutions which exceed the disapplication authority limits set by the Principles.

Companies are required to submit a post-transaction report to the Group following a capital raising in which they utilise a pre-emption disapplication authority. Part 2B of the Statement of Principles provides a template of the information disclosure required. Submissions will be added to the database of post-transaction reporting on our website.

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<sup>1</sup> Many of which were tabled by investment trusts, where the market generally allows more flexibility concerning share capital issues.

If investors become aware of companies misusing disapplication authorities, they should contact the Group. This includes the use of cash box structures to raise funds in excess of the disapplication authority that has been granted by shareholders at the company's most recent AGM.

# Appendix

The following tables provide a detailed breakdown of disapplication resolutions and the percentage of votes against they received. The rows separate the count of resolutions by the total disapplication authority sought by the company.

Companies may table one or two resolutions seeking disapplication authority. There are separate tables for FTSE 100 and FTSE 250 companies indicating the percentage of votes against first resolutions and second resolutions.

Within each table, resolutions have been separated to indicate whether the total disapplication authority sought is within the previous threshold allowed by the 2015 Statement of Principles (5% + 5%) or whether the total disapplication authority exceeds this (greater than 5% + 5%).

## First disapplication resolutions at FTSE 100 companies

Total disapplication authority sought	Percentage of votes against received					
<b>Within previous threshold (Less than or equal to 5% in either category)</b>	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>1.25%</b>	1	0	0	0	0	0
<b>2.5%</b>	0	0	1	0	0	0
<b>5%</b>	9	0	2	1	1	0
<b>10%</b>	36	0	1	1	0	0
<b>Enhanced authority (Greater than 5% in either category)</b>	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>6%</b>	1	0	0	0	0	0
<b>10%</b>	4	1	0	0	0	0
<b>12%</b>	1	0	0	0	0	0
<b>20%</b>	6	1	2	1	0	0
<b>24%</b>	13	10	6	0	0	0

## Second disapplication resolutions at FTSE 100 companies

Total disapplication authority sought	Percentage of votes against received					
	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>Within previous threshold (Less than or equal to 5% in either category)</b>						
1.25%	NA					
2.5%	NA					
5%	NA					
10%	36	0	1	1	0	0
<b>Enhanced authority (Greater than 5% in either category)</b>						
6%	NA					
10%	NA					
12%	1	0	0	0	0	0
20%	3	1	2	4	0	0
24%	3	13	11	2	0	0

## First disapplication resolutions at FTSE 250 companies

Total disapplication authority sought	Percentage of votes against received					
Within previous threshold (Less than or equal to 5% in either category)	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>1.25%</b>	0	0	0	0	0	0
<b>2.5%</b>	0	0	0	0	0	0
<b>5%</b>	14	1	1	0	0	1
<b>10%</b>	33	4	1	1	0	0
Enhanced authority (Greater than 5% in either category)	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>6%</b>	0	0	0	0	1	0
<b>10%</b>	60	2	3	1	0	1
<b>12%</b>	4	1	0	0	0	0
<b>20%</b>	19	10	1	0	0	0
<b>24%</b>	51	16	4	3	1	0

## Second disapplication resolutions at FTSE 250 companies

Total disapplication authority sought	Percentage of votes against received					
Within previous threshold (Less than or equal to 5% in either category)	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>1.25%</b>	NA					
<b>2.5%</b>	NA					
<b>5%</b>	NA					
<b>10%</b>	30	4	3	1	0	0
Enhanced authority (Greater than 5% in either category)	0 – 4.99%	5 – 9.99%	10 – 14.99%	15 – 19.99%	20 – 24.99%	≥25%
<b>6%</b>	NA					
<b>10%</b>	NA					
<b>12%</b>	1	0	0	0	0	0
<b>20%</b>	10	11	5	1	1	0
<b>24%</b>	28	27	11	5	2	0

## Contacting the Pre-Emption Group

Any comments on this report, and any other correspondence, should be addressed to the Secretary of the Pre-Emption Group and sent to:

[secretary@pre-emptiongroup.org.uk](mailto:secretary@pre-emptiongroup.org.uk)

or write to:

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