

## UKLA Technical Note

### Equality of treatment – Listing Principle 5

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Ref: UKLA / TN / 207.1

LR 7

The Listing Principles apply to every company with a Premium Listing of equity shares. Under Listing Principle 5, a listed company must ensure that it treats all holders of the same class of its listed equity shares equally in respect of the rights attaching to such listed equity shares except where holders are in a different position.

In particular, issuers proposing capital reorganisations should be wary of offending Listing Principle 5. For example, in certain capital reorganisations a share consolidation is immediately followed by a share split. After the share consolidation, such reorganisations involve the sale of fractional entitlements resulting in the compulsory sale of shareholdings below a certain level. The intention and effect of such transactions is to remove small shareholders from the share register.

There are a few limited sets of circumstances where the UKLA has accepted that an issuer can treat a category of shareholders, such as for example smaller or minority shareholders, differently from other shareholders. If an issuer wished to treat a category of shareholders differently it would need to satisfy us both that the group being treated differently is genuinely in a different position, and that there was a proper justification for doing so. Furthermore, all shareholders in that category would be treated equally. For example, proper justification may include where, without different treatment of shareholders, an issuer would have to comply with onerous legislation (see the explanation in UKLA/TN/101 regarding on Restrictions on Transfer). We would generally take the view that carrying out a capital reorganisation with the express aim of removing small shareholders from the register is not, in itself, proper justification.

Each circumstance presented to us would be considered on a case-by-case basis. As such, we would urge issuers and their advisers to contact us to discuss the application of Listing Principle 5 if there is any doubt that an issuer's proposals may offend this principle.