



Georgeson

# Pre-Emption Group Principles: Implementation in 2024 across the FTSE 350

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# Introduction

This memo looks at how FTSE 350 companies have implemented the updated Pre-Emption Group guidance introduced in 2022 throughout the 2024 calendar year.

Issued in November 2022, the latest Pre-Emption Group's Statement of Principles<sup>1</sup> allows UK-listed companies to issue shares up to an overall level of 20% of issued share capital without pre-emptive rights, under the proviso that this be split into a 10% general authority and a 10% authority in relation to an acquisition or a "specified capital investment". These should be structured as separate resolutions, each seeking the authority to issue shares up to 10% of the company's issued share capital.

Pre-existing provisions in the Statement of Principles allow companies to supplement each of the authorities put to a vote with a further share issuance authority of 2% only for the purposes of making a follow-on offer. These follow-on offer authorities do not require a shareholder vote. This effectively allows companies to seek share issuance authorities up to 10%(+2%)+10%(+2%), however these follow-on offer authorities are often implied.

Georgeson has reviewed the AGM proposals put forward on this topic across the FTSE 350 index during the calendar year 2024. Based on our research, 333 FTSE 350 companies sought authorities to issue shares excluding pre-emption rights in 2024. Georgeson has collected details on the share issuance authorities sought by all these companies and analysed how many have proposed 10%+10% authorities and how much support these resolutions have received.

Our memo covers the following points:

- > Background to the changes by the Pre-Emption Group
- > Proportion of FTSE 350 companies seeking 10%+10% authorities throughout 2024
- > Level of share issuance authorities sought by sector
- > Level of support received by companies seeking share issuance authorities excluding pre-emption rights
- > Current European best practices in terms of generic dilution without pre-emptive rights
- > Proxy advisor guidelines (and potential updates) regarding share issuance resolutions

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<sup>1</sup> <https://www.frc.org.uk/investors/pre-emption-group>

# Background to the Changes by the Pre-Emption Group

In October 2021, the Treasury appointed Freshfields Bruckhaus Deringer lawyer Mark Austin to conduct the **UK Secondary Capital Raising Review**<sup>2</sup>. The 6-month review put forward recommendations on how raising secondary capital can be made easier, cheaper, and quicker in order to make listing in the UK a more attractive prospect to companies.

The Review was published on 19 July 2022 and included a set of recommendations for the Government, The Financial Conduct Authority (FCA), and the Pre-Emption Group (PEG). One of the most significant recommendations from the review was to give companies the ability to issue up to 20% of their issued share capital (ISC) without pre-emptive rights within a 12-month window. This would increase the limit for the general authority to issue shares from 5% to 10% as well as the limit for the specific authority to issue shares from 5% to 10%. The Government, the FCA, and the PEG all welcomed the recommendations put forth in the Review.

On 4 November 2022, the PEG updated its **Statement of Principles**<sup>3</sup> to align itself with the recommendations from the UK Secondary Capital Raising Review. The principles state that a disapplication of pre-emption rights is likely to be supported when it means the newly redefined size criteria: *"the company may seek authority by special resolution to issue non-pre-emptively for cash equity securities representing:*

- *no more than 10% of issued ordinary share capital in any one year, whether or not in connection with an acquisition or specified capital investment (with a further authority of no more than 2% to be used only for the purposes of making a follow-on offer [...]);*
- *and no more than an additional 10% of issued ordinary share capital provided that, in the circular for the Annual General Meeting at which such additional authority is to be sought, the company confirms that it intends to use it only in connection with an acquisition or a specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue (with a further authority for no more than 2% to be used only for the purposes of making a follow-on offer of a kind contemplated by paragraph 3 of Section 2B below)."*

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<sup>2</sup> <https://www.gov.uk/government/publications/uk-secondary-capital-raising-review>

<sup>3</sup> <https://www.frc.org.uk/investors/pre-emption-group>

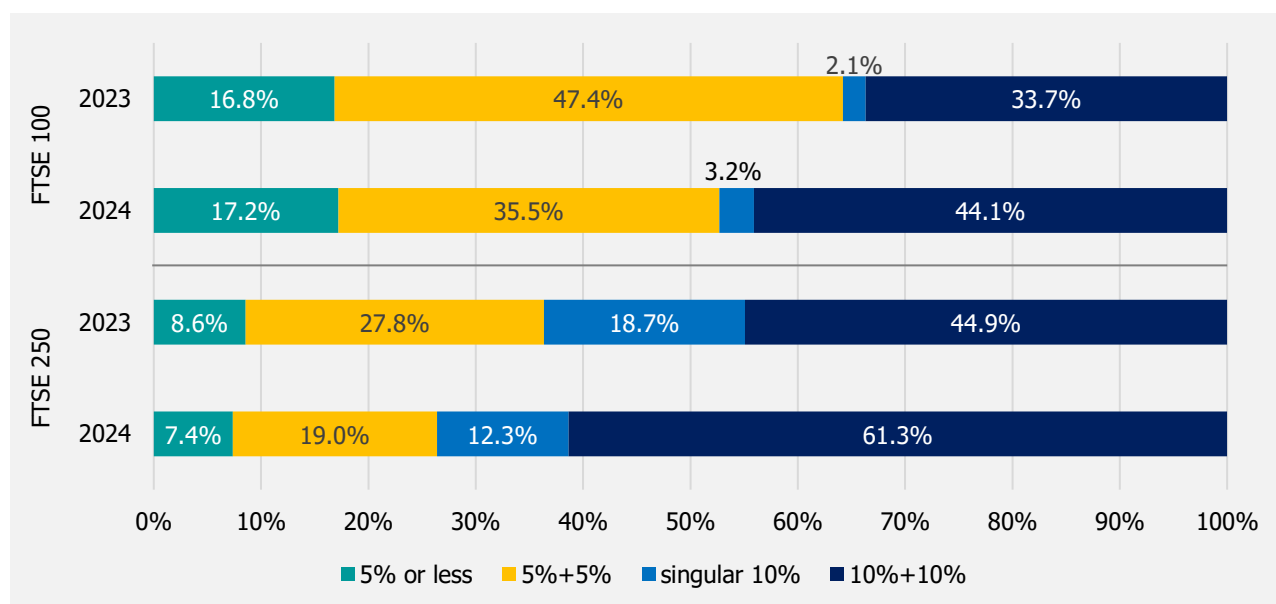
## Proportion of FTSE 350 companies seeking 10%+10% authorities throughout 2024

Across the FTSE 350, 333 companies have published Notices of Meeting seeking authorities to issue shares without pre-emptive rights in 2024. Our analysis focuses on the 256 companies that are not investment trusts as some investors apply different share issuance authority limits to these. This sample includes 93 FTSE 100 companies and 163 FTSE 250 companies.

Of the 93 FTSE 100 companies in our sample, 41 companies (44.1%) sought 10%+10% share issuance authorities to exclude pre-emption rights, an increase from 33.7% in 2023. The remaining 52 companies (55.9%) sought either 5%+5% authorities, singular 5% authorities (or lower), or singular 10% authorities. This singular 10% authority, only permitted since the November 2022 Pre-Emption Group update, allows companies to issue shares without pre-emptive rights up to 10%, the same overall dilution as before, however there is no longer a requirement that 5% of the authority be associated with an acquisition or specific capital investment.

Across the FTSE 250, 163 companies in the sample sought the authority to issue shares without pre-emption rights. 61.3% of FTSE 250 companies requested 10%+10% authorities, an increase from 44.9% in 2023. The remaining 63 companies sought either 5%+5%, singular 5% (or lower), or singular 10% authorities.

Across the 256 FTSE 350 companies in our sample, 141 companies (55.1%) sought 10%+10% authorities, 64 companies (25.0%) sought 5%+5% authorities, with the remaining companies requesting 10% authorities (9.0%), and 5% or lower authorities (10.9%).

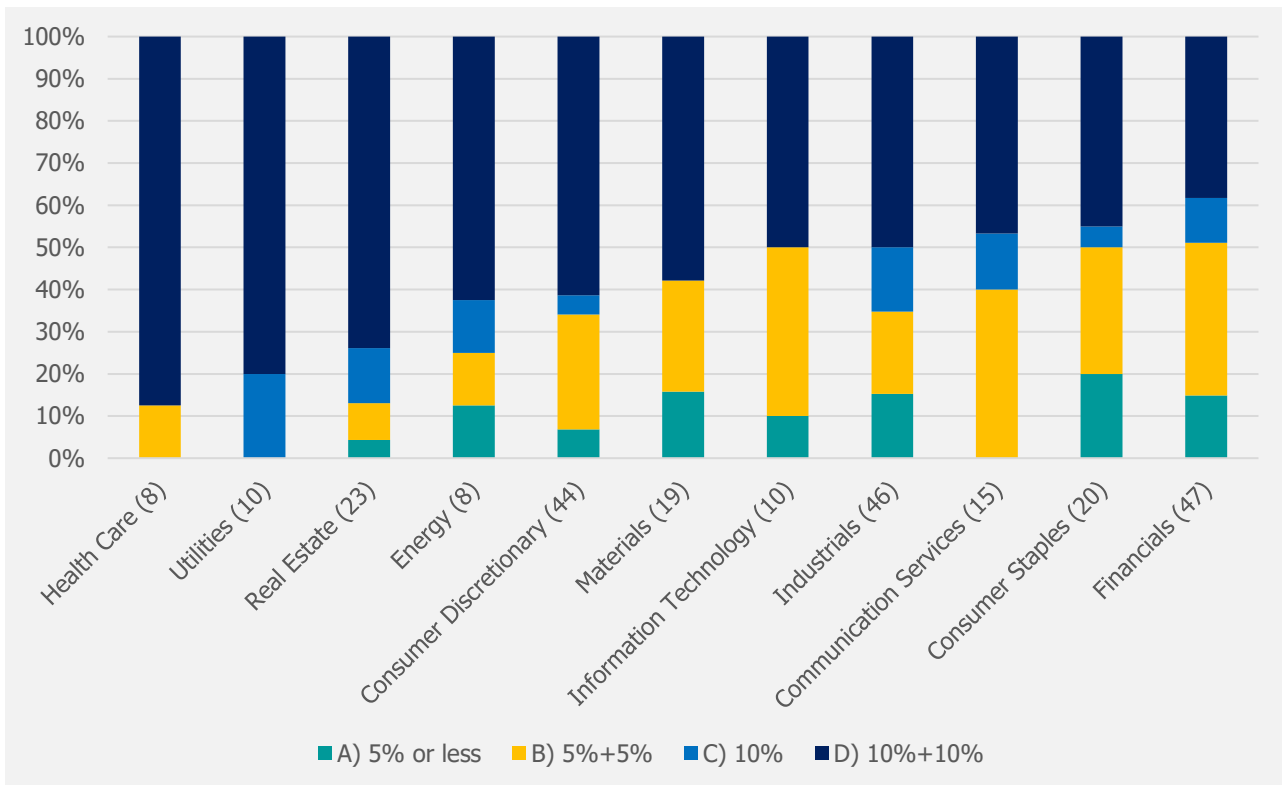


Graph 1: Levels of share issuance authorities excluding pre-emption rights sought across the FTSE 350 throughout 2023 and 2024.

# Level of share issuance authorities sought by sector

Not all companies have chosen to make use of the newly permitted levels of authorities by the Pre-Emption Group at the same rate. Our analysis found that Health Care, Utilities, and Real Estate companies have moved over to 10%+10% authorities at higher rates among FTSE 350 companies (87.5%, 80.0%, and 73.9% of companies within these sectors sought the newly permitted higher levels of authority in 2024, respectively). The capital-intensive nature of these sectors may make them natural candidates for the move to the higher share issuance authority.

Meanwhile, companies within the Financials sector<sup>4</sup> requested 10%+10% authorities at a much lower rate (38.3%) than the FTSE 350 average.



Graph 3: Breakdown of share issuance levels of authority sought by FTSE 350 companies by sector in 2024. The number in parentheses by each sector represents the number of non-investment trust companies that are in each sector. Sectors with fewer than 5 companies were excluded from this graph.

<sup>4</sup> MSCI and the S&P's Global Industry Classification Standard (GICS) was used to classify the company sectors.

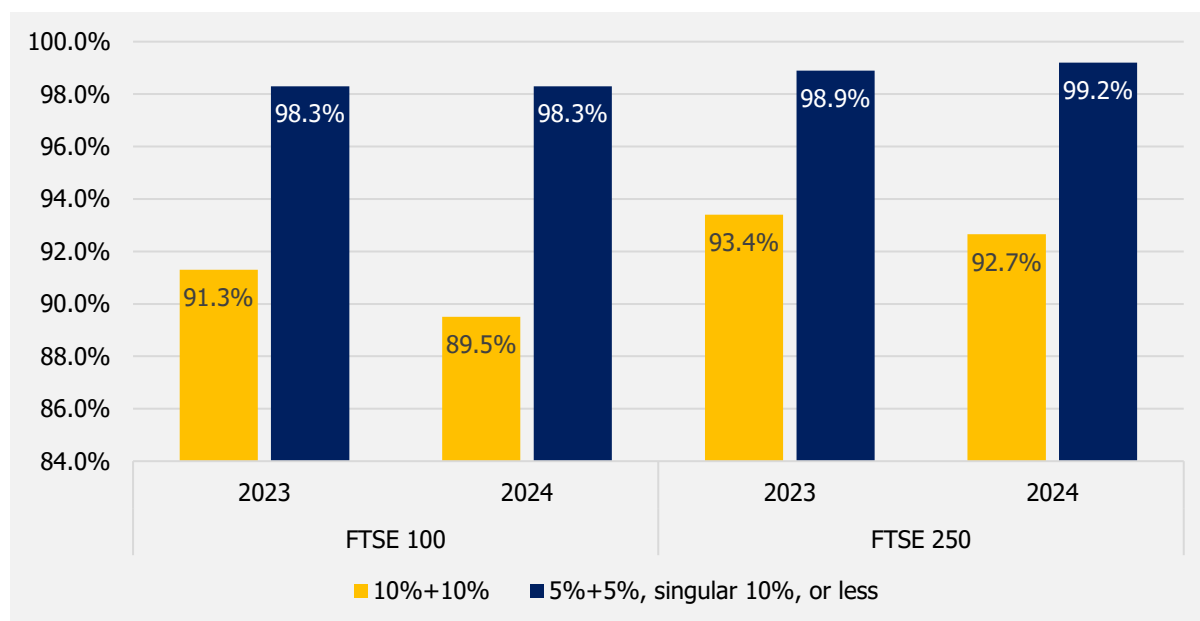
## Level of support received by companies seeking 10%+10% authorities

Our analysis indicates that companies that sought shareholder approval at their AGM to authorise share issuance without pre-emptive rights up to the higher 10%+10% level, received lower levels of support, and that this holds true for the FTSE 100 as well as the FTSE 250. In 2024, the median level of support for 10%+10% authorities also dropped (versus the previous year) across FTSE 100 and FTSE 250 companies.

The median level<sup>5</sup> of shareholder support received by FTSE 100 companies that sought the higher 10%+10% authorities in 2024 was 89.5%, compared to 91.3% in 2023. However, the median level of support for FTSE 100 companies seeking the lower 5%+5%, singular 5%, or singular 10% authorities was 98.3%, the same as in 2023. FTSE 250 companies seeking the higher 10%+10% authorities received a median support level of 92.7% votes in favour, compared to 99.2% support for all other authorities. Our analysis focuses on the median level of support as this reduces the influence of anomalous vote outcomes, compared to mean values.

Despite receiving universal support from the proxy advisors, the median level of support for 10%+10% authorities across the FTSE 350 dropped from 92.6% in 2023 to 91.5% in 2024. The lower level of support for 10%+10% authorities can be attributed to a minority of institutional investors which have taken a stricter approach to the issue than the Pre-Emption Group.

Across the FTSE 350, 4 companies did not receive sufficient shareholder support to pass their share issuance resolutions: Ferrexpo Plc (30.5%), Metro Bank Holdings Plc (32.5% and 32.6%), Playtech Plc (41.4%), and Wizz Air Holdings Plc (74.8%). All resolutions received favourable recommendations from both ISS and Glass Lewis. The reasons these resolutions failed relate to the particular context of their respective shareholder bases.

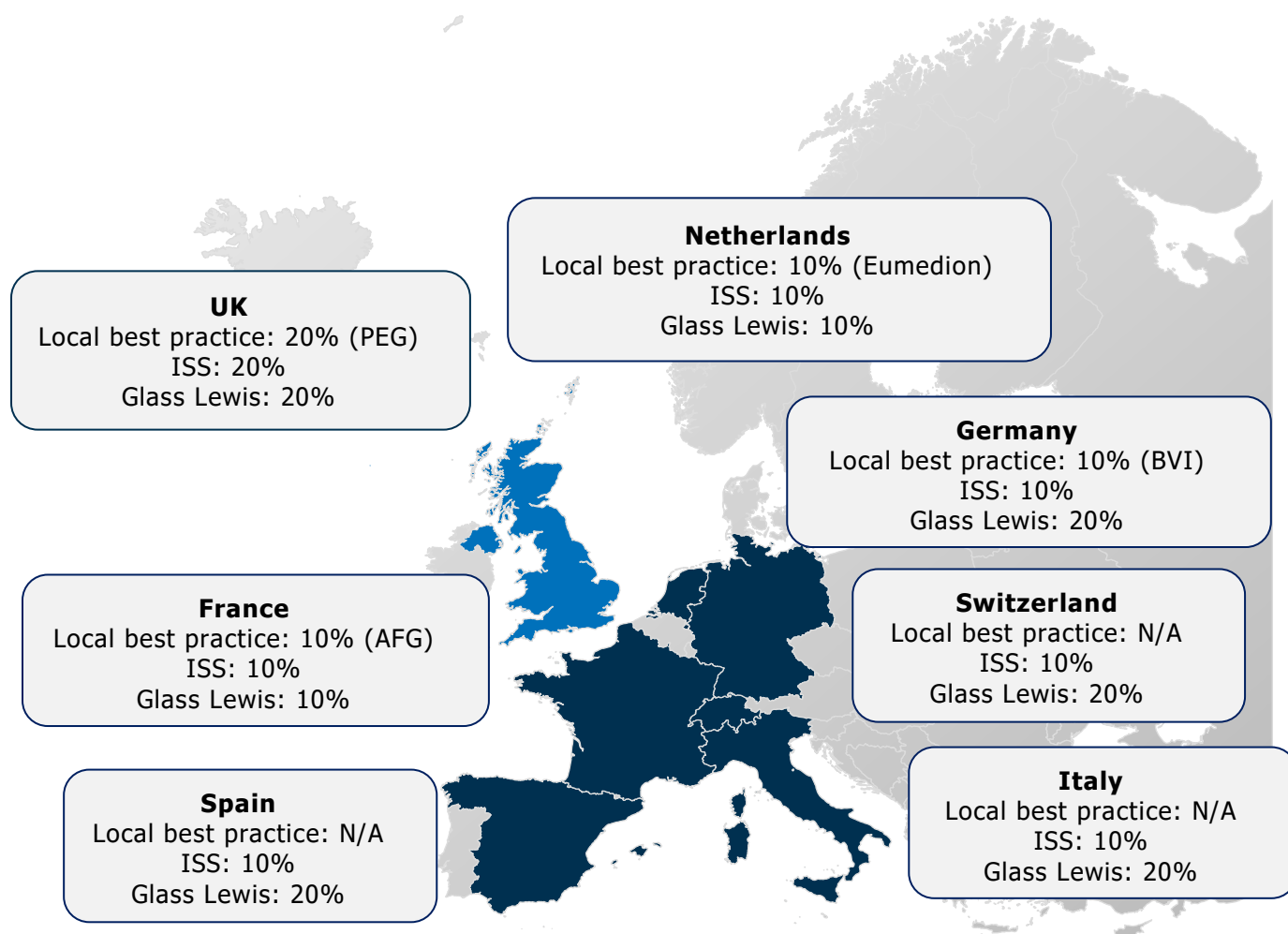


Graph 2: Median level of shareholder support received by FTSE 350 companies for share issuance authorities excluding pre-emption rights throughout 2023 and 2024.

<sup>5</sup> For companies that put forward two share issuance resolutions without pre-emptive rights (one general authority and one for acquisitions and 'specific capital investments') at their AGMs, only the resolution that received the lower level of support was considered for our calculations.

# Current European best practices in terms of generic dilution without pre-emptive rights

As of the November 2022 Pre-Emption Group update, the UK has the highest “best practice” share issuance limit without pre-emptive rights across the seven biggest European markets. Investor bodies in France<sup>6</sup>, Germany<sup>7</sup>, the Netherlands<sup>8</sup> continue to set the limit on generic share issuances without pre-emptive rights at 10%. This is in line with the maximum applied by ISS across Continental Europe. Italy, Spain and Switzerland do not have a universally accepted maximum expectation from investor bodies.



<sup>6</sup> <https://www.afg.asso.fr/wp-content/uploads/2021/01/afg-recoquouve-220118web.pdf>

<sup>7</sup> <https://www.bvi.de/en/services/samples-and-working-aids/analysis-guidelines-for-shareholder-meetings-ahv/>

<sup>8</sup> <https://en.eumedion.nl/clientdata/217/media/clientimages/Voting-guideline-share-Issuance-authorisations.pdf>

# Proxy Advisor Guideline Updates to Share Issuance Resolutions

## ISS

### United Kingdom

Institutional Shareholder Services (ISS) states in its 2025 guidelines<sup>9</sup> for the UK and Ireland that its general recommendation is to vote for these resolutions unless *"The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital, provided that any amount above 10 percent is to be used for the purposes of an acquisition or a specified capital investment. For the general disapplication authority and specific disapplication authority, a further disapplication of up to 2 percent may be used for each authority for the purposes of a follow-on offer"*.

ISS also states that *"A company which receives approval for an authority of this nature but is then subsequently viewed as abusing the authority in a manner not in line with Pre-emption Group Principles – for example, by issuing shares up to 20 percent for purposes other than set out in the guidelines or by using a cash-box structure to issue more than the authority approved at the previous AGM – is likely to receive a negative recommendation on the share issuance authorities at the following AGM."*

### Continental Europe

However, ISS's 2025 Continental Europe voting guidelines<sup>10</sup> recommend voting *"for issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the Netherlands)."*

## Glass Lewis

### United Kingdom

Glass Lewis states in its 2025 guidelines<sup>11</sup> for the UK that *"With regards to the authority to issue shares without preemptive rights, we generally view proposals to suspend preemptive rights for a maximum of 10% of the issued ordinary share capital of the company as non-contentious and routine, in line with the recently updated recommendations of the Pre-emption Group. Further, we believe that this authority should be limited to 15 months. However, we consider authorities requesting up to 20% of current issued share capital reasonable when the board provides an assurance that the portion of the authority in excess of 10% of the company's issued share capital will be limited to use in connection with an acquisition or specified capital investment, in line with the recommendations of the Pre-emption Group."*

### Continental Europe

Meanwhile, Glass Lewis' 2025 Continental Europe policy guidelines state *"In our view, a company's general authorisations to issue shares and/or convertible securities should not cumulatively exceed 100% of its total issued share capital, of which the ability to issue shares and/or convertible securities without preemptive rights should not cumulatively exceed 10-20% of its total issued share capital, depending on established market best practice."*

<sup>9</sup> <https://www.issgovernance.com/file/policy/active/emea/UK-and-Ireland-Voting-Guidelines.pdf>

<sup>10</sup> <https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf>

<sup>11</sup> <https://www.glasslewis.com/voting-policies-current/>



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