



PRUDENTIAL

PRUDENTIAL PLC
GROUP SECRETARIAT
12 ARTHUR STREET
LONDON EC4R 9AQ

www.prudential.co.uk

[Sent by email to: e-mail to Markt-COMPLAW@cec.eu.int]

DG MARKT,
Unit F2,
European Commission,
B-1049 Brussels

24 July 2007

Your ref
Our ref GS/RW/tel: 020 7548 3848

Dear Sir,

European Commission: Fostering an Appropriate Regime for Shareholders' Rights - Third Consultation Document

Prudential welcomes the opportunity to comment on the proposals set out in the above consultation document.

We set out below our comments, on the questions raised in the CP from the perspectives of both an issuer and an investor.

Comments on specific questions

*Question
number*

Language of meeting documents

Q1.1 *Do you think there is a need for action in that area?*

We note the current permissive regime in the EU whereby companies are allowed to post general meeting related documents in other languages, in addition to the national language.

We feel that there is no need for action at EU level and that this is a matter that should be best left to the market.

Q1.2 *If your answer is yes, do you think a recommendation along the following lines would go into the right direction?*

"1. Companies should make available to their shareholders the convocation for a general meeting, the meeting agenda and the documents to be submitted to the general meeting at least also in a language customary in the sphere of international finance, unless the General Meeting decides to the contrary.

2. Point 1 should not apply to companies

- that fulfil at least two of the criteria established by Article 11 of the Fourth

Prudential plc, Laurence Pountney Hill, London EC4R 0HH.

Incorporated and registered in England and Wales. Registered Office as above. Registered number 1397169.

Prudential plc is a holding company, subsidiaries of which are authorised and regulated by the Financial Services Authority.



Company law Directive on annual accounts (not exceeding a balance sheet total of EUR 3 650 000, a net turnover of EUR 7 300 000 and an average number of employees during the financial year of 50), or
- that neither have a wide foreign shareholder base (on average under 10% of the subscribed capital) nor are actively seeking foreign investment.
For these companies, the obligation referred to in point 1 should only apply where this is requested by shareholders representing at least 1/3 of the subscribed capital."

As mentioned above, we do not believe that a recommendation along the lines set out above is required. Subject to this comment, if a recommendation is considered to be necessary, our specific comments on the draft wording are as follows.

With regard to point 1 above, in relation to UK companies, we assume that the words "the documents to be submitted to the general meeting at least also in a language customary in the sphere of international finance....." mean that UK companies would not have to publish documents in a 2nd language in addition to English on the basis that English is already the customary language. It would be helpful to have clarification on this point.

The meaning of the words "For these companies, the obligation referred to in point 1 should only apply where this is requested by shareholders representing at least 1/3 of the subscribed capital" is unclear to us. We assume it means that in relation to the power under point 1 for the General Meeting to decide not to provide a translation, this has to be requested by shareholders owning at least 1/3rd of the issued capital? Greater clarity on this point would be helpful.

We support both exemptions set out in point 2. With regard to the second exemption in point 2 for companies "that neither have a wide foreign shareholder base (on average under 10% of the subscribed capital) nor are actively seeking foreign investment" – we assume that both these conditions have to be satisfied.

Depository Receipts (DRs)

Q2 *Do you think a recommendation along the following lines would go into the right direction?*
"The depository agreement should provide that the depository is not allowed to vote on the shares without instructions given by the depository receipt holder, unless the latter has given the depository explicitly such discretion."

We strongly agree a recommendation along the lines set out above. The wording needs to ensure that holders of depository receipts should be entitled to issue voting instructions and that depositaries must follow these instructions.

Stock lending

Q3.1 *Do you believe that stock lending needs to be addressed at EU level? Please give your reasons.*

We feel that there is no need for EU involvement in relation to the impact of stock lending on voting rights – the market is already well managed and regulated. However, we would not oppose the introduction of recommendations that support good market practice.

We would make the following general points in relation to stock lending:

- (i) We understand that the average volume of shares on loan is generally small (average 2.5%-3.5%), although in individual instances it can be much higher thereby having an impact on voting at specific shareholder meetings. Shares are generally not recalled to vote unless there is a contentious issue;
- (ii) Standard market documentation enables investors to recall shares to vote - and the procedures work well in practice. Stock lending does not, therefore, disenfranchise institutional investors who engage in stock lending if they wish to

