

UPDATE ON REGULATION AND BEST PRACTICE IN INVESTOR RELATIONS **AUGUST 2007**

AMF Amends Its General Regulation On Independent Investment Research. The amendments, which follow on from the public consultation held between 28 July and 31 October 2006, concern independent investment research and commission sharing arrangements. http://www.amf-france.org/documents/general/7263_1.pdf

Opening Remarks at the SEC Open Meeting. Today's meeting is going to cover three vitally important topics for the future of our capital markets. We'll begin with rationalizing the implementation of SOX section 404; move on to consideration of the role that IFRS will play in America's future; and finally, we'll consider two proposals to address the question of how the fed proxy rules can be better aligned with the state law rights of shareholders <http://www.sec.gov/news/speech/2007/spch072507cc.htm>

The Securities and Exchange Commission today voted unanimously to publish a Concept Release for public comment on allowing U.S. issuers, including investment companies, to prepare their financial statements using International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board. <http://www.sec.gov/news/press/2007/2007-145.htm>

SEC is proposing amendments to the rules under the Securities Exchange Act of 1934 concerning shareholder proposals and electronic shareholder communications, as well as to the disclosure requirements of Schedule 14A and Schedule 13G. Proposed amendments to Exchange Act Rule 14a-8 would enable shareholders to include in company proxy materials their proposals for bylaw amendments regarding the procedures for nominating candidates to the board of directors. <http://www.sec.gov/rules/proposed/2007/34-56160.pdf>

EU WANTS TO SIMPLIFY RULES ON COMPANY LAW, ACCOUNTING AND AUDIT The European Commission has put forward measures which would simplify the business environment for EU companies in the areas of company law, accounting and auditing. The proposed measures, which are set out in a Communication, would remove or reduce a range of administrative requirements that are considered outdated or excessive. All interested parties are invited to comment on the proposals by mid-October 2007. <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1087&format=HTML&aged=0&language=EN&guiLanguage=en>

FUND MANAGER TRANSPARENCY CONTINUES TO INCREASE. IMA's latest annual survey on fund manager engagement with companies shows that the level of transparency is increasing. The survey is the most comprehensive of its kind covering 33 firms, managing £640 billion of UK equities, representing 68% of the market. The trend is increasingly for engagement to be integrated into the investment process, complemented by regular dialogue with senior management and

monitoring which allow firms to vote and engage objectively on an informed basis.

<http://www.investmentfunds.org.uk/press/2007/20070704.asp>

transparency
matters

ICGN VOTES FOR ONE SHARE, ONE VOTE

<http://www.icgn.org/conferences/2007/documents/resultf1.ppt>

OECD examines the role of hedge funds and private equity firms in corporate governance. The OECD Steering Group concluded at its recent meeting that “activist” hedge funds and private equity firms can play a positive role in corporate governance of publicly held companies. The corporate governance practices of private equity firms and hedge funds are best addressed within the framework of the existing OECD Principles of Corporate Governance so that a separate code is not necessary.

http://www.oecd.org/document/17/0,3343,en_2649_201185_38674577_1_1_1_1,00.html

2 views on the Combined Code consultation.

Need to guard against "mindless compliance". The bodies overseeing application of the Combined Code must be vigilant to ensure it does not become an exercise in “mindless compliance”, the Institute of Chartered Accountants of Scotland (ICAS) has warned.

http://www.icas.org.uk/site/cms/v4_newsArticleView.asp?article=5139

The Shareholder Rights Committee of the ICGN writes to the Financial Reporting Council on the Combined Code, Combined Code stressing, inter alia, that it needs to apply to foreign companies.

http://www.icgn.org/organisation/documents/sri/frc_letter_20jul2007.pdf

The European Commission has published two reports on Member States' application of EU recommendations on company directors' pay and independence. Both reports conclude that the application of corporate governance standards has improved, but some weaknesses remain. The report on the role of independent non-executive directors finds that there is a real progress in improving governance standards in this field, but some of the recommended standards have not been followed in all Member States.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1147&format=HTML&aged=0&language=EN&guiLanguage=en>

Call for evidence on the possible CESR level three work on the transparency directive. CESR is inviting all interested parties to submit their views regarding the possible CESR Level 3 work it could undertake in relation to the TD and the Level 2 Directive. In particular, responses to the following questions would be especially welcomed:

- Do you consider that CESR should start working in its Level 3 capacity in order to promote a consistent application of the TD and the Level 2 Directive?

- If yes, which areas do you think CESR's work should cover? Could you prioritise them? • Do you think CESR's work to harmonise should be published in the form of a Q&A section of its website (in a similar way as CESR is currently doing in the prospectus area)?

- Do you think CESR should facilitate the establishment of an EU network of national storage mechanisms? http://www.cesr-eu.org/index.php?page=consultation_details&id=98

Research by finance and accounting academics strongly suggests that in its first five years of life the Sarbanes-Oxley Act (SOX) has improved both the quantity and quality of **corporate disclosure**.

<http://www.mcombs.utexas.edu/dept/irom/faculty/profiles/index-vita.asp?addTarget=51>

Italian implementation of the Transparency Directive. The Italian cabinet has cleared legislation to adopt an EU directive on corporate reports that will introduced streamlined quarterly financial statements. Under the new rules, listed companies will only have to give a general description of their balance sheet and of their financial performance. The Italian cabinet has cleared legislation to adopt an EU directive on corporate reports that will introduced streamlined quarterly financial statements. The bill also tightens disclosure rules on shareholdings, with investors having to declare underlying stakes held through derivatives.

<http://www.iii.co.uk/news/?type=afxnews&articleid=6213822&subject=economic&action=article>

Securities and Exchange Commission Chairman Christopher Cox today announced the appointment of the following members to the SEC Advisory Committee on Improvements to Financial Reporting. The advisory committee, established last month, will hold its first meeting on Thursday, August 2, at 10 a.m. at the SEC's Washington D.C. headquarters. <http://www.sec.gov/news/press/2007/2007-154.htm>

TIAA-CREF continues to take steps on behalf of its participants to strengthen shareholder rights and promote sound corporate governance practices in U.S. and international markets. Some recent examples of TIAA-CREF's shareholder advocacy and corporate engagement in action over the past year include: http://www.tiaa-cref.org/about/press/about_us/releases/pressrelease211.html

The Securities and Exchange Commission is not planning to delay rules that will tighten auditing standards for small public companies that currently are not subject to Sarbanes-Oxley standards, SEC Chairman Christopher Cox said today. <http://www.forbes.com/markets/feeds/afx/2007/07/30/afx3967391.html>

Sir David Walker study for British Venture Capital Association and a group of major private equity firms: a review of the adequacy of disclosure and transparency in private equity.

http://walkerworkinggroup.com/sites/10051/files/walker_consultation_document.pdf

FSA published List 16!. The UKLA detail the approach under the Prospectus Directive and Listing Rules in relation to disclosures in limited access situations, and attempt to answer some of the questions received in relation to prospectus disclosures more generally. http://www.fsa.gov.uk/pubs/ukla/list_jul07.pdf

The third survey of institutional investors' attitudes towards, and perceptions of, AIM has been undertaken on behalf of Arbutnot Securities by the financial communications consultancy, M:Communications.

<http://www.londonstockexchange.com/NR/rdonlyres/A05245AE-54AA-41C1-8920-BE0B76861D52/0/ArbutnotAIMSurveyLSE2007.pdf>