ANNEXE 5

Droits de vote multiples
Le droit anglais

HCJP : Groupe de travail « Droits de vote multiples »

Comparative analysis: English company law and UK's listing regime

(1) Under English company law, there are no restrictions whatsoever preventing companies, whether private or public, from adopting a dual class share structure ("**DCSS**"), *i.e.* a structure involving two classes of shares identical in all respects except for voting rights, where the high-vote shares allow the holders to retain voting control that is disproportionate to their economic interest and the low-vote shares carry one vote per share.

(2) DCSS is however largely incompatible with current stock exchanges rules for the premium segment of the London Stock Exchange (LSE) Main Market, as (i) issuers listing shares on the premium segment must be able to demonstrate they can run an independent business and freely pursue their own business strategy, (ii) voting on certain matters relevant to premium listing is exclusively reserved to holders of premium listed shareholders (*i.e.* any unlisted high-vote shares would be prevented from voting on such matters) and (iii) high-vote shares cannot be listed on the premium segment, based on the principle that premium listed shares should operate under a "one share, one vote" system. Listing shares issued by a company with a DCSS is only practicable on the standard segment of the LSE Main Market, which is subject to lower governance and shareholder protection standards and offers lower levels of liquidity compared to the premium segment. Not being part of the premium segment means companies cannot be included in FTSE indices and accordingly their shares will not be bought back by tracker funds.

(3) Even though companies listed on the standard segment are not subject to the "one share, one vote" principle, the market practice for these companies has long been to abide by such principle. Some companies with DCSS have nevertheless recently come to market with a standard listing, such as THG Holdings plc (a.k.a. The Hut Group), Deliveroo plc and Oxford Nanopore Technologies plc. TGH Holdings plc listed in September 2020 on the standard segment of the LSE Main Market with a DCSS to enable its founder to hold a special share enabling him to deter an unwelcome takeover. Deliveroo plc also listed in London with a DCSS in March 2021, with 20:1 weighted voting rights structure designed to empower, and ensure that majority control resides with the founder (or his permitted transferees) for so long as he holds the shares and is a director. Also, in July 2021, UK life sciences start up Oxford Nanopore Technologies plc sought shareholder approval to give its CEO, Gordon Sanghera, a limited number of anti-takeover shares allowing him to block hostile international takeover attempts. All three of the Hut Group's, Deliveroo's and Oxford Nanopore's respective DCSS expire after three years.

(4) The Hut Group and Deliveroo listings have generated significant attention in the UK and shone a spotlight on the premium listing restrictions which will have influenced these companies' listing segment decisions, as listing with a DCSS on the premium segment remains out of the equation. In response to the recommendations of the UK Listing Review published in March 2021 and the Independent Strategic Review of UK Fintech in February 2021, HM Treasury and the Financial Conduct Authority (FCA) published in early July 2021 consultations to propose significant changes to the listing regimes in the UK, with the aim of granting access to founder-led growth companies to premium listing segment while protecting them from the threat of a takeover once they become listed.

(5) The FCA consultation proposes, amongst others, to introduce a five-year exception to the "one share, one vote" premium listing principle that prevents companies with DCSS from listing on the premium segment of the LSE Main Market. Under the proposals, issuers applying for a premium listing for the first time would be permitted to list with a specific kind of DCSS, which

would enable holders of unlisted high-voting shares to carry additional voting rights subject to certain conditions, including that:

a. the shares are held by one of the directors of the issuer at the time of the IPO (or a beneficiary of his or her estate following death);

b. the shares provide additional voting rights (i) at any time, on a vote to remove the holder as a director (and not, therefore, a vote on any other matter), the intention being limited to ensuring the holder is able to continue as a director and (ii) after a change of control, on any matter, the intention being to enable the holder to deter a takeover and that, by the time the DCSS expires, the company should be sufficiently large and capitalized that it is less of an easy target for a hostile takeover;

c. the maximum weighted voting ratio relative to ordinary shares is 20:1;

d. the high-vote shares are subject to a five-year sunset period, upon the expiry of which they are converted into ordinary shares or expire; and

e. the high-vote shares are automatically converted into ordinary premium listed shares upon transfer to anyone other than a beneficiary of the director's estate.

(6) Keeping the risk of undermining high corporate governance standards and shareholder influence at bay, the FCA proposal offers a very limited form of DCSS with circumscribed voting control that is not transferrable and limited over time, thus preventing the holder of the high-vote shares to retain control in a context other than a change of control. The scope of the proposal and the restrictions thereto may however be revised following the closing in September 2021 of both consultations, which are likely to result in rule changes by late 2021.

Schedules

Schedule 1: The Hut Group prospectus (relevant extracts) – September 2020

Schedule 2: Deliveroo prospectus (relevant extracts) – March 2021

Schedule 3: Oxford Nanopore prospectus (relevant extracts) – September 2021

Schedule 4: Independent Strategic Review of UK Fintech (relevant extracts) – February 2021

Schedule 5: UK Listing Review (relevant extracts) – March 2021

Schedule 6: FCA Primary Markets Effectiveness Review (relevant extracts) – July 2021

Schedule 1
The Hut Group prospectus (relevant extracts) – September 2020

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached prospectus relating to THG Holdings plc (the "**Company**") dated 10 September 2020 (the "**Prospectus**"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended for you only and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached Prospectus whether electronically or otherwise to any other person.

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THE SHARES IN THE COMPANY (THE "**SHARES**") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OR (2) IN AN "**OFFSHORE TRANSACTION**" AS DEFINED IN, AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF, REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE SHARES MAY NOT BE OFFERED OR SOLD IN CANADA, EXCEPT TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS OR SUBSECTION 73.3(1) OF THE SECURITIES ACT (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS. ANY RESALE OF THE SHARES MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION

2.3 ***Following Admission, should the FIC Shareco Lender exercise the security held over the Company's shares, the FIC Shareco Lender may be in a position to exert significant influence over the Company***

The Founder (through a wholly owned company) and Steven Whitehead (through a wholly owned company) have formed FIC Shareco Limited, a Guernsey incorporated special purpose vehicle (the "**FIC Shareco**").

FIC Shareco has entered into a binding commitment with Barclays Bank plc (the "**FIC Shareco Lender**") under which the FIC Shareco Lender has agreed, subject to the satisfaction of certain conditions, to make available to FIC Shareco a loan facility up to an aggregate principal amount of £100,000,000 (the "**FIC Shareco Loan Facility**"). The Founder, Jodie Moulding and FIC Shareco have agreed to grant security to the FIC Shareco Lender over their respective holdings of Ordinary Shares held at Admission, representing 9.10 per cent. of the Ordinary Shares in issue at Admission, and their respective holdings of D ordinary shares, D Shares and E Shares held at Admission that represent a further 9.75 per cent. of the Ordinary Shares in issue. Each of the Founder, Jodie Moulding and FIC Shareco has also agreed to grant security over any Ordinary Shares which they each respectively acquire at, or following, Admission at any time prior to 1 September 2021, being 12 months from the date of the FIC ShareCo Loan Facility agreement and the termination date of that facility.

Any enforcement of this security by the FIC Shareco Lender following Admission could have a significant impact on the Company's shareholding structure. The enforcement of security, in whole or in part, by the FIC Shareco Lender would reduce the FIC Shareco's, the Founder's and Jodie Moulding's shareholding in the Company's share capital and could (in the circumstances referred to above) result in the FIC Shareco Lender (or one or more third parties who acquire the shares on enforcement of the security) having a direct interest in up to 18.85 per cent. of the Ordinary Shares (assuming no other Ordinary Shares are issued following Admission and no further security is granted to the FIC Shareco Lender over Ordinary Shares by each of the Founder, Jodie Moulding or FIC Shareco). The interests of the FIC Shareco Lender (or other third party purchaser(s)) may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

Furthermore, in the event that the FIC Shareco Lender enforces security over Ordinary Shares that represent 30 per cent. or more of the Company's then issued share capital at that time, the enforcement of that security may trigger an obligation on the FIC Shareco Lender to make a mandatory offer pursuant to Rule 9 of the Code. Rule 9.1 of the Code states that, except with the consent of the Panel, when a person (together with any persons acting in concert) is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any concert party, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he/she is interested, such person shall make a mandatory cash offer for such company. However, the Code also provides that, where shares are charged as security for a loan and, as a result of enforcement, the lender would otherwise incur an obligation to make a mandatory cash offer, the Panel will not normally require such an offer if sufficient interests in shares are disposed of within a limited period to persons unconnected with the lender, so that the percentage of shares carrying voting rights in which the lender, together with any persons acting in concert with it, is interested is reduced to the percentage held by those persons prior to the triggering acquisition being made. Any such disposal, or the perception that such disposal may occur, may depress the market price of the Ordinary Shares and could impair the Company's ability to raise capital through the sale of additional equity securities. In addition, in giving its consent, the Panel will require that, until such time as the interests in shares are disposed of, appropriate restrictions are imposed on the exercise of voting rights attaching to the shares in which the lender or persons acting in concert with the lender are interested.

2.4 ***Following Admission, the Founder will hold the Special Share, which, following a Change of Control of the Company, will provide the Founder with the ability (potentially for three years from Admission) to pass or prevent the passing of any shareholder resolution, regardless of the support any resolution may have or may not have from other Shareholders***

The Founder will, following Admission, also hold the Special Share. Should there be a Change of Control (as defined in Part XII (*Definitions*)) of the Company, the Special Share will automatically provide the holder thereof (for three years from Admission) with such number of voting rights on any resolution put to the Shareholders at a general meeting as shall be necessary to ensure the passing of that resolution (if those votes are cast by the holder of the Special Share in favour of that resolution), or to ensure the defeat of that resolution (if those voting rights are cast by the holder of the Special Share against that resolution) and the number of voting rights held by Shareholders (other than the holder of the Special Share) will be diluted as a result. As the holder of the Special Share, the Founder will therefore have the ability, immediately following such a Change of Control of the Company (for three years from Admission), to pass or defeat any resolution proposed to Shareholders regardless of the support any such resolution may have or may not have from other Shareholders. The interests of the Founder may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

The voting rights provided to the Founder by means of the Special Share following a Change of Control of the Company and for three years from Admission will have the effect of making any transaction or other matter requiring Shareholder approval impossible during that period without the support of the Founder. In practical terms, this will also have the effect during that period of deterring any offeror from making an offer for THG without the Founder's support, thereby providing the Founder with a significant degree of influence over the terms, and likelihood, of any offer for THG. This could have a material adverse effect on the trading price of the Ordinary Shares.

Should the Founder support an offer for THG, the Founder may transfer the Special Share to the offeror or any other person, at which point the rights of the Special Share, including those set out above, shall cease.

2.5 ***The Special Share will be capable of being transferred to a beneficiary of the holder's estate upon the death of the holder and that beneficiary will be free to exercise the rights attaching to the Special Share***

The rights attributable to the Special Share will cease upon transfer from the Founder to any person except in relation to a transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) of the Special Share upon the death of the Founder to a recipient that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company and who does not subsequently become such a person, or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Following such a transfer, the subsequent holder of the Special Share will be able to exercise all of the voting rights of the Special Share. Additionally the Panel has confirmed that any such transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) of the Special Share will not trigger an obligation on the subsequent holder of the Special Share (or their concert party) to make a general offer to other Shareholders pursuant to Rule 9 of the Code.

Accordingly, if the Founder, as initial holder of the Special Share (or any beneficiary of the Founder who receives the Special Share), dies a third-party beneficiary of the holder's estate may become entitled to exercise the voting rights (prior to the expiry of the Special Share's rights) of the Special Share upon a Change of Control of the Company.

The identity of any such beneficiary is unknown and the interests of that beneficiary may not be aligned with those of other Shareholders, which could have a material adverse effect on the trading price of the Ordinary Shares.

2.6 ***Future issuances of Ordinary Shares, including as a result of any conversion of the Retained Shares, D Shares and E Shares or in order to fund an acquisition, may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares***

Current and former members of THG's management, including the Founder, may, in the future, be entitled to receive new Ordinary Shares, representing up to approximately 11.29 per cent. of the Ordinary Shares in issue at Admission, if their respective holdings of Retained Shares, D Shares and E Shares convert to Ordinary Shares (in the case of the Retained Shares, upon the satisfaction of performance conditions and a hurdle) pursuant to the terms of certain THG employee incentive arrangements and the New Articles of Association.

The Company may also issue additional Ordinary Shares to fund acquisitions. In the case of English companies such as the Company, statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareholders. Therefore, existing Shareholders may not be offered the right or opportunity to participate in any such future share issues (if such a special

PART X
THE SPECIAL SHARE, APPLICATION OF THE CODE AND THE CONCERT PARTY

1. THE SPECIAL SHARE

Subject to and conditional upon Admission, it is proposed that the Founder will be issued with the Special Share.

The Special Share is (save as noted below) a non-voting share that carries no economic rights. It is intended to permit the holder to deter an unwelcome acquisition of the Company that would not, in the holder's opinion, deliver sufficient value when compared with what the holder considers could be generated by THG in the three years following Admission.

The New Articles of Association set out the rights of the Special Share; the principal rights in respect of which are as follows:

- The Special Share will not entitle its holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.

- The holder of the Special Share will have the right to attend and speak at any general meeting of the Company. However, the Special Share will carry no voting rights (other than in respect of a separate class meeting of the Special Share (as a separate class)), until a Change of Control of the Company.

- Immediately on a Change of Control of the Company, the Special Share will automatically carry such number of votes on any resolution put to the Shareholders at a general meeting as shall be necessary to ensure the effective passing of such Shareholder resolution if those votes are cast by the holder of the Special Share in favour of, or to ensure the defeat of such Shareholder resolution if those votes are cast by the holder of the Special Share against, such Shareholder resolution.

  A Change of Control of the Company is defined in the New Articles of Association (and that definition is set out below in Part XII (*Definitions*)) and broadly will arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with him/her are interested) carry more than 50 per cent. of the voting rights exercisable by the Shareholders on a poll in a general meeting (excluding those attributable to the Special Share).

  In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (i) on a scheme of arrangement under Part 26 of the Companies Act, at the point at which the scheme of arrangement becomes effective; and (ii) on a takeover offer under Part 28 of the Companies Act, at the point at which the takeover offer becomes unconditional in all respects.

- The Special Share will be capable of transfer by transmission (or an onward transfer by that transmittee to the Founder's intended beneficiary) upon death of the Founder to a Permitted Transferee, being any person that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share.

- The rights attributable to the Special Share will cease (and the Special Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (i) the date falling three years after the date of Admission; (ii) the transfer of the Special Share by the Founder to any other person (save to a Permitted Transferee upon the death of the holder); and (iii) if a person who has become the holder of the Special Share on the death of the current holder ceases to qualify as a Permitted Transferee.

Shareholders should therefore be aware that, as a consequence of the Special Share, the Founder will have the right, on a Change of Control of the Company, to prevent the passing of any Company shareholder resolution or to pass any Company shareholder resolution for three years from

Admission (unless the rights attributable to the Special Share cease before that date as described above).

In practical terms, this will have the effect during that period of deterring any offeror from making an offer for the Company without the Founder's support.

Further, such rights are capable of being transferred to and exercised by a third-party beneficiary in the event of the Founder's death prior to the date that is three years from Admission.

2. APPLICATION OF THE CODE TO THE SPECIAL SHARE

The Code

The Code applies to the Company.

Under Rule 9 of the Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his/her concert parties during the previous 12 months.

A similar obligation to make such a mandatory offer would also arise when a person who (together with any persons acting in concert) was interested in shares which in aggregate carried not less than 30 per cent. of the voting rights of the Company but did not hold shares which carried more than 50 per cent. of such voting rights acquired an interest in any other shares which increased the percentage of shares carrying voting rights in which he/she was interested.

If a person (or group of persons acting in concert) holds shares carrying more than 50 per cent. of the voting rights in the Company, that person (or any person(s) acting in concert with him) may acquire further shares without incurring any obligation under Rule 9 to make a mandatory offer, although individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold, without Panel consent.

Application of Rule 9

Having been consulted, the Panel has confirmed that the issue of the Special Share and the exercise by the holder of its voting rights following a Change of Control of the Company will not trigger an obligation on the holder (or his/her concert party) to make a general offer to Shareholders pursuant to Rule 9 of the Code, nor will any transfer by transmission (or any onward transfer by that transmittee to the holder's intended beneficiary) of the Special Share to a Permitted Transferee upon the death of the Founder (or any subsequent holder of the Special Share) trigger an obligation on such Permitted Transferee (or his/her concert party) to make a general offer to Shareholders pursuant to Rule 9 of the Code.

Following Admission (and prior to any Change of Control of the Company), the voting rights of the Special Share will not be taken into account when calculating the interest of any Shareholder or group of Shareholders acting in concert in the voting rights of the Company, and, accordingly, will not be taken into account in determining whether an obligation to make a mandatory offer under Rule 9 of the Code has been triggered.

If an obligation to make a general offer for the Company under Rule 9 were to arise in the above circumstances, the voting rights of the Special Share would not be taken into account in formulating a condition as to acceptances for the purposes of Rule 9.3(a) of the Code. Accordingly, any such offer must be conditional only upon the offeror having received acceptances in respect of Ordinary Shares which, together with the Ordinary Shares acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding more than 50 per cent. of the Ordinary Shares then in issue.

Shareholders should note that, in the event of such a mandatory offer, the Founder would be under no obligation to sell the Special Share, notwithstanding the offer becoming unconditional. In fact, if such an offer became unconditional in all respects, it would

8. **ARTICLES OF ASSOCIATION**

8.1 Set out below is a summary of the provisions of the New Articles of Association adopted subject to and conditional on Admission pursuant to a resolution passed at the General Meeting:

8.2 The New Articles of Association adopted pursuant to a special resolution passed at a general meeting of the Company held on 9 September 2020 subject to and conditional upon Admission contain provisions to the following effect:

(a) **Objects**

The objects of the Company, in accordance with s.31(1) of the Companies Act, are unrestricted.

(b) **Limited Liability**

The liability of the members is limited to the amount, if any, unpaid on the shares in the Company respectively held by them.

(c) **Rights Attaching to Shares**

(i) *Special Share*

The Special Share is (save as noted below) a non-voting share that carries no economic rights.

Immediately on a Change of Control of the Company, the Special Share will automatically carry such number of votes on any resolution put to the members of the Company as shall be necessary to ensure the effective passing or defeat of that resolution.

The rights attributable to the Special Share will cease on the earlier of: (i) the date falling three years after the date of Admission; (ii) the transfer of the Special Share to any person other than as explained below, by means of a transfer by transmission (or an onward transfer by that transmittee to the holder's intended beneficiary) upon the death of its holder to a Permitted Transferee; and (iii) if a person who has become the holder of the Special Share in the event of the holder's death ceases to qualify as a Permitted Transferee. In the case of (ii), (iii) and (iv), the Company may purchase or cancel the Special Share as permitted by the Companies Act.

The Special Share will retain its rights on a transfer by transmission upon death of its holder to a Permitted Transferee, being any person that is not (i) an employee or director of the Company or any subsidiary undertaking of the Company, or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Similarly, in the event that the transmittee is not the holder's intended beneficiary, a transmittee who produces to the board of the Company evidence of entitlement to the Special Share may choose to have the Special Share transferred to another person who is the intended beneficiary of the holder's estate, so long as that person is also a Permitted Transferee.

(ii) *D ordinary shares (ESS), D Shares (non-ESS) and E Shares*

The D ordinary shares, D Shares and E Shares are non-voting ordinary shares and do not carry the right to participate in dividends.

The holders of D ordinary shares, D Shares and E Shares may convert their D ordinary shares, D Shares and E Shares into Ordinary Shares (on the basis of one Ordinary Share per D Share or E Share or 185 Ordinary Shares per D ordinary share, as set out in paragraphs 14.3 and 14.4) below (*Additional Information – Share Incentive Arrangements*)).

Schedule 2
Deliveroo prospectus (relevant extracts) – March 2021

deliveroo PRESENTS

THE IPO

MARCH 2021

This document comprises a prospectus (the "Prospectus") relating to Deliveroo Holdings plc (the "Company") prepared in accordance with the Prospectus Regulation Rules (the "Prospectus Regulation Rules") of the Financial Conduct Authority (the "FCA") made under section 73A of the Financial Services and Markets Act 2000, as amended (the "FSMA"). A copy of this Prospectus has been filed with, and approved by, the FCA and has been made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

This Prospectus has been prepared solely in connection with the proposed offer (i) to certain institutional and professional investors (the "Institutional Offer") and (ii) to customers who (a) have placed at least one order for delivery; and (b) are resident and located in the United Kingdom ("Eligible Customers") (the "Community Offer" and, together with the Institutional Offer, the "Offer") of ordinary class A shares (the "Class A Shares") of the Company (the "Offer Shares") and has been approved by the FCA. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation"); such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

Applications will be made to the FCA for all of the Class A Shares to be admitted to the standard listing segment of the Official List of the FCA and to London Stock Exchange plc (the "London Stock Exchange") for all of the Class A Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (the "Main Market") (together, "Admission"). **The Offer Shares will rank *pari passu* in all respects with the Class A Shares.** Conditional dealings in the Offer Shares are expected to commence on the London Stock Exchange on 31 March 2021. It is expected that Admission will become effective, and that unconditional dealings in the Offer Shares will commence, on 7 April 2021. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Class A Shares to be admitted to listing, traded, or dealt with on any other exchange.**

The Company will have two classes of shares at Admission, Class A Shares and class B shares ("Class B Shares"). The Class B Shares will not be admitted to listing or to trading on any stock exchange. On a poll, holders of the Class A Shares shall have one vote for every Class A Share held and, for so long as the Founder or a Permitted Transferee holds Class B Shares, the Founder or such Permitted Transferee shall have twenty votes for every Class B Share held. The Founder or a Permitted Transferee is entitled to elect to convert any Class B Shares into Class A Shares at any time. The Class B Shares will also automatically convert to Class A Shares on the earlier of certain conversion events occurring (as set out in detail in Part 16 (Additional Information)). At Admission, all of the Class B Shares will be held by the Company's Founder and Chief Executive Officer, Will Shu, who will therefore at Admission control approximately 57% of the voting rights of the Company (assuming the Offer Price is set at the mid-point of the Price Range and no exercise of the Over-allotment Option).

The directors of the Company, whose names appear on page 40 of this Prospectus (the "Directors"), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Prospective investors should read this Prospectus in its entirety before making any decision as to whether to purchase Offer Shares. In particular, prospective investors are advised to examine all the risks that might be relevant in connection with an investment in the Offer Shares. See Part 1 (Risk Factors) on page 8 for a discussion of certain risks and other factors that should be considered prior to any investment in the Offer Shares.

deliveroo

Deliveroo Holdings plc

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 13227665)

Offer of up to 384,615,384 Class A Shares at an Offer Price expected to be between 390 and 460 pence per Class A Share and admission to the standard listing segment of the Official List and to trading on the Main Market of the London Stock Exchange

Joint Global Co-ordinators and Joint Bookrunners

Goldman Sachs International **J.P. Morgan Cazenove**

Joint Bookrunners

BofA Securities **Citigroup** **Jefferies** **Numis**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

(assuming that the Offer Price is set at the mid-point of the Price Range and no exercise of the Over-allotment Option)

Issued and fully paid

Class A Shares		Class B Shares	
Number	**Nominal Value**	**Number**	**Nominal Value**
1,704,530,877	**£0.005**	**115,227,441**	**£0.005**

C.1.3	*Rights attaching to the Class A Shares and Class B Shares* The rights attaching to the Class A Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The Class B Shares will be uniform with the Class A Shares with respect to the payment of dividends, on any return of surplus assets on a winding up, and in all other respects except as otherwise set out in the Articles. On a show of hands, every Shareholder who is present in person shall have one vote, and on a poll, every Shareholder present in person or by proxy shall have one vote per Class A Share held by it, and for so long as the Founder or a Permitted Transferee holds Class B Shares, the Founder or such Permitted Transferee shall have twenty votes for every Class B Share held. Except as provided by the rights and restrictions attached to any class of Shares, every Shareholder will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.
C.1.4	*Rank of securities in the issuer's capital structure in the event of insolvency* The Offer Shares do not carry any rights to participate in a distribution (including on a winding-up) other than those that exist as a matter of law.
C.1.5	*Restrictions on transfer* There are no restrictions on the free transferability of the Offer Shares.
C.1.6	*Dividend or pay-out policy* Given the early stage of maturity of the online food category, we remain focused on investing to drive growth, as we believe this is the best way for us to drive long-term shareholder value. We will review our dividend policy on an ongoing basis, but do not expect to declare or pay any dividends for the foreseeable future.
C.2	***Where will the securities be traded?*** Applications will be made to the FCA for all of the Class A Shares to be admitted to the standard listing segment of the Official List of the FCA and to the London Stock Exchange for such Class A Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.
C.3	***What are the key risks that are specific to the securities?*** • The time-limited dual class share structure of the Company will have the effect of concentrating voting control with the Founder, which will limit Shareholders' ability to influence the outcome of matters submitted to Shareholders for approval, including the election of directors, the adoption of amendments to the Articles and a change of control of the Company. • The proposed listing of the Class A Shares on the standard listing segment of the Official List will afford Shareholders a lower level of regulatory protection than a listing on the premium listing segment would. • There is no existing market for the Offer Shares and an active trading market for the Offer Shares may not develop or be sustained. Offer Shares in the Company may be subject to market price volatility, which could be significant, and Shareholders could lose all or part of their investment. • Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings.
SECTION D – KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET	
D.1	***Under which conditions and timetable can I invest in this security?*** It is expected that Admission will become effective, and that unconditional dealings in the Offer Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) on 7 April 2021. Settlement of dealings from the date of Admission will be on a two-day rolling basis. Prior to Admission, conditional dealings in the Offer Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 31 March 2021. The earliest date for such settlement of such conditional dealings will be 7 April 2021. Investors should note that only investors who apply for, and are allocated, Offer Shares in the Institutional Offer will be able to deal in the Offer Shares on a conditional basis. Investors who purchase Offer Shares in the Community Offer will not be able to deal in the Offer Shares on a conditional basis. Therefore, the earliest time at which such investors will be able to deal in the Offer Shares is at the start of unconditional dealings on Admission. *Plan of distribution* The Offer consists of an offer up to 384,615,384 Class A Shares of the Company (i) to certain institutional and professional investors (the "Institutional Offer"), and (ii) to customers who (a) have placed at least one order for delivery; and (b) are resident and located in the United Kingdom ("Eligible Customers") (the "Community Offer" and, together with the Institutional Offer, the "Offer").

Risks relating to the Offer and the Class A Shares

The time-limited dual class share structure of the Company will have the effect of concentrating voting control with the Founder, which will limit Shareholders' ability to influence the outcome of matters submitted to Shareholders for approval, including the election of directors, the adoption of amendments to the Articles and a change of control.

On a poll, holders of Class A Shares shall have one vote for every Class A Share held and, for so long as the Founder or a Permitted Transferee holds Class B Shares, the Founder or such Permitted Transferee shall have twenty votes for every Class B Share held. At Admission, all of the Class B Shares will be held by the Company's Founder and Chief Executive Officer, Will Shu, who will therefore on Admission control up to 57.5% of the voting rights of the Company (assuming the Offer Size is set at the mid-point of the Offer Share Size Range and no exercise of the Over-allotment Option).

The Founder will therefore have the ability to pass or block an ordinary resolution proposed to the Shareholders, regardless of the support any such resolution may have or may not have from other Shareholders. Accordingly, the Founder will be able to control key shareholder decisions including (without limitation): the appointment and removal of Directors (including any resolution proposed to remove the Founder as a Director); the approval of the amounts recommended by the Directors to be paid as dividends; the maximum number of Directors permitted to sit on the Board; the ratification of acts by the Directors (except where the Director is the Founder himself); the renewal of the authority of the Board to allot new shares in the Company; the approval of a capitalisation of any undistributed profits; the making of any political donations or expenditure; the appointment and removal of an auditor from office; the fixing of the auditor's remuneration; and the sub-division or consolidation of any Shares.

The Founder's ability, while he and any Permitted Transferees hold sufficient Class B Shares, to block any resolution to remove him as a Director will mean that his position on the Board, and his influence over the decision-making of the Company through decisions made by the Board, will effectively be entrenched for so long as the Founder wishes to remain on the Board.

The Founder will also have the ability to defeat any special resolution, regardless of the support any such resolution may have or may not have from other Shareholders. The Founder will therefore have the ability to block key shareholder decisions including (without limitation): amendments to the Company's Articles; changes to the name of the Company; a reduction of the notice period required for a general meeting (other than annual general meetings) from 21 to 14 days; the disapplication of pre-emption rights in respect of any issue of new shares for cash consideration; the buy-back of shares by way of on-market and off-market purchases; the re-registration of the Company as a private company; and the reduction of the Company's share capital. Depending on the level of shareholder representation at any general meeting, it is also possible that the Founder's voting rights will be sufficient to pass any special resolutions proposed at the relevant meeting (including any of those referred to above in this paragraph).

In addition, for so long as any Class B Shares remain in issue and are held by the Founder or any Permitted Transferee(s), any scheme of arrangement under Part 26 of the Act between the Company and its members or between the Company and any class of its members will not become effective without the prior written consent of the Founder (or, if the Founder no longer holds any Class B Shares, of the Shareholder that holds the largest number of Class B Shares then in issue). The effect of this is that the Founder or the Shareholder that holds the largest number of Class B Shares in issue effectively has a veto over a change of control of the Company proposed by way of scheme of arrangement. Furthermore, any takeover offer for the Company subject to the City Code on Takeovers and Mergers (the "Code") must be conditional upon the offeror having acquired or agreed to acquire shares in the Company carrying over 50 per cent. of the total voting rights in the Company (in the case of a mandatory offer under Rule 9, inclusive of any shares held by any persons acting in concert with the offeror). The effect of this is that for so long as the Founder controls sufficient Class B Shares, any takeover offer for the Company can only be successful if supported by the Founder.

Accordingly, while the Class B Shares are in issue, the Founder or any Permitted Transferee(s) may vote on, or otherwise support or block, key shareholder decisions in a way with which other Shareholders may disagree and which may be adverse to their interests, and the interests of the Founder or any Permitted Transferee(s) may not be aligned with those of the Company or the other Shareholders.

The time-limited dual class share structure will mean certain transactions require the support of the Founder (or Permitted Transferee(s)) which might deprive the Company or Shareholders of the benefit of such transactions.

In addition to the above key decisions over which the Founder and any Permitted Transferee will be able to exert control, the concentrated voting control granted to the Founder and any Permitted Transferee(s) by the Company's time-limited dual class share structure has the effect of making certain transactions impossible without the support of the Founder and/or any Permitted Transferee(s) or of delaying or deterring any such transaction (including a change of control of the Company). While the Class B Shares are in issue, this might have an adverse effect on the trading price of the Class A Shares and could also deprive the Company of the benefit of such a transaction and Shareholders of an opportunity to receive a premium for their Class A Shares as part of a change of control of the Company. The interests of the Founder or any Permitted Transferee(s) may not be aligned with those of the Company or the other Shareholders when considering such transactions.

We cannot predict the effect the time-limited dual class share structure may have on the trading price of the Class A Shares or otherwise.

We cannot predict whether the Company's time-limited dual class share structure will result in a lower or more volatile market price of the Class A Shares, in adverse publicity, or have other adverse consequences. The premium listing segment of the Official List of the FCA does not currently allow companies to have shares with unequal voting rights. Accordingly, the time-limited dual class share structure makes the Company ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices may be unable to invest in the Class A Shares. It is unclear what effect, if any, that has on the valuations of publicly-traded companies excluded from such indices (including the Company), but it is possible that it may depress valuations, as compared to similar companies that are included in such indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make the Class A Shares less attractive to other investors. As a result, the market price of the Class A Shares could be adversely affected.

Following Admission, the Founder may increase his interest in the Company without incurring any obligation to make a mandatory offer to all Shareholders so long as he retains over 50% voting control.

From Admission, the Founder (and any persons acting in concert with the Founder) will be free to acquire further shares in the Company without incurring any obligation under Rule 9 of the Code (provided that no individual member of the Founder's concert party, other than the Founder, increases their percentage interest in voting rights through 30%). The Founder (and any persons acting in concert with the Founder) will be entitled to do this until a sufficient number of Class B Shares are converted into Class A Shares or further share issuances of Class A Shares occur so as to reduce the Founder's (and any persons acting in concert) aggregate holding of shares in the Company to a level that carries 50% or less of the voting rights in the Company.

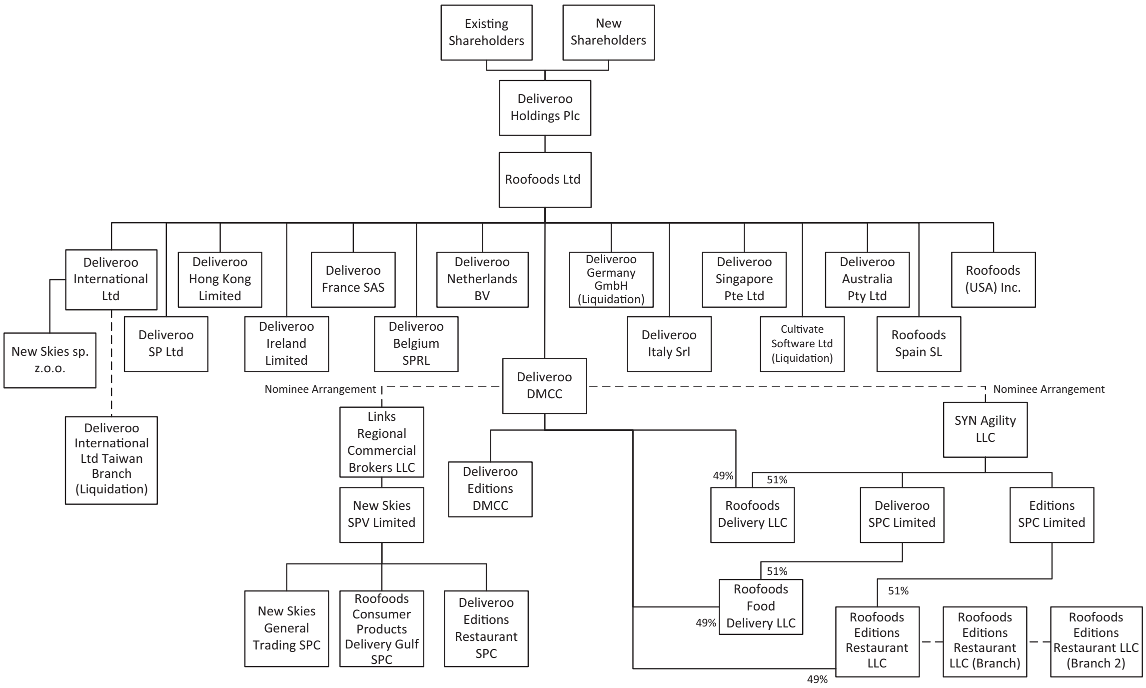
The proposed listing of the Class A Shares on the standard listing segment of the Official List will afford Shareholders a lower level of regulatory protection than a listing on the premium listing segment would.

Application will be made for the Class A Shares to be admitted to the standard listing segment of the Official List. A listing on the standard listing segment of the Official List will afford Shareholders a lower level of regulatory protection than that afforded to investors in companies with a listing on the premium listing segment of the Official List, where companies are subject to additional obligations under the Listing Rules. In particular, as a company with a standard listing the Company will not be required to comply with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time (the "Governance Code"), following Admission. The Company will also not be required to comply with the requirements of Chapter 11 of the Listing Rules relating to the announcement and, in some cases, approval, of related party transactions (as defined in the Listing Rules).

There is no existing market for the Offer Shares and an active trading market for the Offer Shares may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Offer Shares. Although the Company has applied to the FCA for admission to the standard listing segment of the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give

3.6.2 The structure chart below illustrates the structure of the Group at Admission following completion of the Reorganisation steps which will take effect prior to Admission.



4. Commercial justification for the time-limited dual class share structure

The Company's time-limited dual class share structure will provide the Founder with the stability to take decisions to enable the Company to execute on its long-term strategic vision in order to create long-term shareholder value, in circumstances where the Group transitions from a private to a public environment.

The time-limited dual class share structure is important because the Group is still in a high-growth phase and is continually innovating in an effort to create long-term shareholder value, rather than focusing unduly on short-term profits.

The time-limited dual class share structure will mitigate pressure on the Founder, the Board and management that might arise from short-term market volatility and will permit the Founder and the Board to make quick decisions in response to industry changes, uncertainties and opportunities.

5. Articles of Association

The Articles of Association of the Company (the "Articles"), which will be adopted with effect from Admission, include provisions to the following effect:

5.1 *Share rights*

Subject to the provisions of the Act, and without prejudice to any rights attached to any existing Shares or class of Shares: (i) any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so prior to the allotment of those shares.

5.2 *Voting rights*

Subject to any rights or restrictions attached to any shares: (a) on a show of hands every member who is present in person or by proxy shall have one vote; (b) subject to sub-clause (c), on a poll every member present in person or by proxy shall have one vote for every share of which he or she is the holder; and (c) for so long as the

Schedule 3
Oxford Nanopore prospectus (relevant extracts) – September 2021

This document comprises a prospectus (the "**Prospectus**") relating to Oxford Nanopore Technologies plc (the "**Company**" and, together with its subsidiaries, the "**Group**") prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority of the United Kingdom (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 ("**FSMA**"). This Prospectus has been approved by the FCA (as competent authority under Regulation (EU) 2017/1129 as it forms part of retained EU law as defined in the EU (Withdrawal) Act 2018 (the "**EUWA 2018**") (the "**UK Prospectus Regulation**")) in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Regulation Rules. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation, and such approval should not be considered as an endorsement of the company that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This Prospectus has been prepared in connection with the offer of ordinary shares of the Company (the "**Offer Shares**") to certain institutional and professional investors described in Part 7 *(Details of the Offer)* of this Prospectus (the "**Offer**") and the admission of the ordinary shares of the Company (the "**Ordinary Shares**") to the standard listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange (the "**Main Market**") (together, "**Admission**"). This Prospectus updates and replaces in whole the registration document published by Oxford Nanopore Technologies Limited on 9 September 2021.

Application will be made to the FCA for Admission. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange. Conditional dealings in the Ordinary Shares are expected to commence at 8 a.m. on 30 September 2021. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8 a.m. on 5 October 2021. **All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The New Shares (as defined in this Prospectus) issued by the Company will rank *pari passu* in all respects with the Existing Shares (as defined in this Prospectus).**

The Company and the directors of the Company, whose names appear on page 62 of this Prospectus (the "Directors"), accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

Prospective investors should read the Prospectus in its entirety and, in particular, Part 2 *(Risk Factors)* for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if one or more of the risks described in this Prospectus were to occur, investors may find that their investment is materially adversely affected. Accordingly, an investment in the Offer Shares is only suitable for investors who are knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

OXFORD NANOPORE TECHNOLOGIES PLC

(*Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 05386273*)

Offer of 123,344,408 Ordinary Shares of £0.0001 each
at an Offer Price of 425 pence per Ordinary Share
and admission to the standard listing segment of the Official List
and to trading on the main market of the London Stock Exchange

Joint Global Co-ordinators

BofA Securities | **Citigroup** | **J.P. Morgan Cazenove**

Joint Bookrunners

Barclays | **Berenberg** | **Guggenheim** | **Numis** | **RBC**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid

Number	**Nominal Value**
794,668,860	**£0.0001**

Each of Merrill Lynch International ("**BofA**"), Citigroup Global Markets Limited ("**Citigroup**") and J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) ("**J.P. Morgan**") (together, the "**Joint Global Co-ordinators**") and Barclays Bank PLC ("**Barclays**") and RBC Europe Limited ("**RBC**") is authorised in the United Kingdom by the Prudential Regulation Authority (the "**PRA**") and regulated in the United Kingdom by the PRA and the FCA. Each of Guggenheim Securities, LLC ("**Guggenheim**"), Joh. Berenberg, Gossler & Co. KG, London Branch ("**Berenberg**") and Numis Securities Limited ("**Numis**") is authorised and regulated by the FCA in the United Kingdom. Each of Barclays, Guggenheim, Berenberg, Numis and can be subject to diverging and sometimes conflicting interpretations by taxpayers, tax advisers and tax authorities, and judgment is often required in determining the Group's provisions for tax liabilities.

The Group could be subject to audit, enquiry or investigation by, or involved in a dispute with, a tax authority, as a result of which tax authorities may seek to assess additional taxes on the Group and/or impose interest and penalties. Any successful challenge by a tax authority could result in additional tax, interest and/or penalties being payable and could increase the worldwide effective tax rates of the Group.

Additionally, the tax laws, rules or regulations (including their interpretation by relevant authorities) in any jurisdictions where the Group operates, is tax resident or has a taxable presence such as a branch or permanent establishment (or in any other jurisdiction, such as where employees, executives, customers or suppliers are located) are complex and are subject to change. This includes the levels of taxation to which the Group is subject and the tax reliefs from which it benefits.

The Group's future effective tax rates, as well as the tax burden on the Group's revenue, could be adversely affected by changes in rules regarding tax presence in certain jurisdictions, changes in the ability to offset net operating losses against profits, and changes in the ability to capitalise investments.

Any of the risks identified above could adversely affect the business, financial condition, results of operations and prospects of the Group.

In particular, the Group's business and results of operations may be adversely affected by increases in the rate of VAT, business rates or other applicable taxes and tariffs in countries where it does business or countries relevant to its suppliers and/or customers. If the Group is unable to pass on such additional costs to its customers fully, or at all, this may adversely affect the Group's operating margins. However, even if the Group is able to pass on such costs to its customers, this may have a material adverse effect on demand for the Group's products and, therefore, its revenue. The level of VAT, business rates or other applicable tariffs can be changed at very short notice.

The Group expects to benefit from a reduced rate of UK corporation tax in respect of relevant IP income under the UK patent box regime, which is expected to be material to the Group. Any changes to, reduction in benefit or withdrawal of, the UK patent box regime in respect of the Group may adversely affect the Group's business, financial condition and results of operations.

Changes in corporate tax rates can affect the value of deferred tax assets and deferred tax liabilities, and the value of the Group's deferred tax assets could be affected by the Group's profitability as well as other factors that affect underlying assumptions. As at the end of FY20, the Group recognised a deferred tax asset in the US of £1.4 million, and had an unrecognised deferred tax asset in the UK of £81 million. The deferred tax asset in the UK was not recognised due to uncertainty regarding the timing of future UK taxable profits.

The Group has historically benefited from significant R&D tax credits, amounting to £8.6 million, £9 million and £10.9 million in FY18, FY19 and FY20, respectively. As of 1 January 2021, the Group no longer qualifies for R&D tax relief available to small and medium sized enterprises in the UK due to its headcount, balance sheet and revenue exceeding the eligibility thresholds. However, the Directors expect that the Group will qualify for R&D tax relief available to large companies.

Risks relating to the Offer and the Offer Shares

34. **Following Admission, Dr Gordon Sanghera, Dr James Willcocks and Mr Clive Brown will hold the Limited Anti-Takeover Shares, which, potentially for three years from Admission, and only in circumstances following a Change of Control of the Company, may provide one holder of the Limited Anti-Takeover Shares with the ability to, following such Change of Control, pass or prevent the passing of any shareholder resolution, regardless of the support any resolution may have or may not have from other Ordinary Shareholders**

Dr Gordon Sanghera, Dr James Willcocks and Mr Clive Brown will, following Admission, hold the Limited Anti-Takeover Shares (the "**LAT Shares**"). Should there be a Change of Control of the Company, the Active LAT Share (being the LAT Share held by Dr Gordon Sanghera unless, for any reason, he ceases to be a director or employee of the Group or is given, or gives, notice of the same, in which case either (a) the Active LAT Share will be the LAT Share held by Dr James Willcocks (or Mr Clive Brown, if Dr James Willcocks has himself ceased to be a director or employee of the Group or has been given, or gives, notice of the same) or (b) if both Dr James Willcocks and Mr Clive Brown are also ineligible to hold the Active LAT Share for the reasons set out above, then there will cease to be any Active LAT Share) will automatically provide its holder (for three years from the date of Admission, but, for the avoidance of doubt, only following a Change of Control of the Company) with such number of voting rights on any resolution put to the Ordinary Shareholders at a general meeting as shall be necessary to ensure the passing of that resolution (if those votes are cast by the relevant holder of the Active LAT Share in favour of that resolution), or to ensure the defeat of that resolution (if those voting rights are cast by the holder of the LAT Share against that resolution) and the number of voting rights held by Ordinary Shareholders (other than the holder of the Active LAT Share) will be diluted as a result. As the holder of the Active LAT Shares, Dr Gordon Sanghera (or Dr James Willcocks or Mr Clive Brown, as relevant) will therefore for three years post Admission (but, for the avoidance of doubt, only in circumstances following a Change of Control of the Company) have the ability to pass or defeat any resolution proposed to Ordinary Shareholders regardless of the support any such resolution may or may not have from other Ordinary Shareholders. Accordingly, the LAT Shares, taken together, will only confer voting rights to a single holder and solely in circumstances following a Change of Control and are therefore intended to protect the long-term interests of shareholders in those circumstances without conferring broader voting influence outside that context. Nonetheless, the interests of Dr Gordon Sanghera (or Dr James Willcocks or Mr Clive Brown, as relevant) as the holder of the Active LAT Share may not be aligned with those of other Ordinary Shareholders, which could have a material adverse effect on the trading price of the Offer Shares. The voting rights provided to one of Dr Gordon Sanghera (or Dr James Willcocks or Mr Clive Brown, as relevant) by means of the Active LAT Share in such circumstances will have the effect of making any transaction or other matter requiring Ordinary Shareholder approval virtually impossible during that period without the support of the relevant individual holding the Active LAT Share. In practical terms, these voting rights could also deter an offeror from making an offer for the Group without the holder of the Active LAT Share's support, thereby providing the holder of the Active LAT Share with a significant degree of influence over the terms, and likelihood, of any offer for the Group. This could have a material adverse effect on the trading price of the Offer Shares.

35. **The proposed standard listing of the Ordinary Shares will afford investors a lower level of regulatory protection than a premium listing**

Application will be made for the Ordinary Shares to be admitted to a standard listing on the Official List. A standard listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a premium listing, which is subject to additional obligations under the Listing Rules. In particular, as a company with a standard listing, the Company will not be required to comply with the requirements of the UK Corporate Governance Code. The Company will also not be required to comply with the requirements of Chapter 11 of the Listing Rules relating to the announcement and, in some cases, the approval, of related party transactions (as defined in the Listing Rules). A standard listing will also not permit the Company to gain a FTSE UK Index Series indexation (which includes the FTSE 100, FTSE 250, FTSE 350 and FTSE All-Share indices), which may have an adverse effect on the liquidity, and therefore the price, of the Ordinary Shares.

Further details regarding the differences in the protections afforded by a premium listing as against a standard listing are set out in Part 4 *(Consequences of a Standard Listing).*

36. **The price of the Offer Shares may fluctuate significantly and investors could lose all or part of their investment**

The Offer Price has been determined by the Company, following a bookbuilding process and following consultation with the Joint Global Co-ordinators, and may not be indicative of prices that will prevail in the open market following Admission and investors may not be able to resell the Offer Shares at or above the Offer Price. The share price of quoted companies can be highly volatile. The market price for the Offer Shares could fluctuate significantly for various reasons, many of which are outside the Group's control. These factors could include general economic, industry, political and/or regulatory conditions; market conditions, variations in financial or operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts; changes in market valuation or the financial or operating results of similar companies; speculation (whether or not founded) about the Group or its significant shareholders in the press or the investment community; failure by securities analysts to publish research reports about the Company or the publication by securities analysts of unfavourable commentary about the Company; announcements by the Group of significant acquisitions, dispositions or other similar corporate actions; and strategic actions by competitors. Stock markets have from time to time experienced extreme price and volume volatility and any of the foregoing or other events could result in material fluctuations in the price of the Offer Shares which could adversely affect the market price for the Offer Shares.

37. **There has been no prior public trading for the Offer Shares and an active trading market for the Offer Shares may fail to develop or may not be sustained**

Although the Company has applied for Admission, this should not be taken as implying that there will be of the SARS-Cov-2 virus, as part of the UK Governments Test and Trace strategy. A number of kits were sold to the DHSC in 2020, but in April 2021, the DHSC determined that they no longer had a requirement for the Group's product and terminated the contract before taking the maximum quantity allowable under the contract.

This is a non-adjusting event, there is no financial effect on the net assets or any individual financial statement line item as at 31 December 2020. The Group does not expect to suffer any liability as a result of this contract termination.

36.2 **Equity**

On the 29 March 2021, a resolution was passed to cancel and extinguish £610.8 million of the share premium account of the Company.

Oxford Nanopore has completed a £202.0 million of fund raise in April 2021 via a private placement of ordinary shares in the Group.

On 9 June 2021, the shareholders approved:

(a) a conditional retention equity award of up to 6.5% of the Company's equity to the Executive Directors. The grant is subject to achievement of performance conditions tied to revenue and share price and is subject to holding periods. On 22 June 2021, awards under this plan were granted to the executive directors of the company; and

(b) a limited anti-takeover non-voting share of £1.00 in the capital of the Company (a "**LAT Share**").

The Articles contain provision for three classes of "limited anti-takeover" share, each of £1.00 in the capital of the Company: (i) the class A "limited anti-takeover" share (the "**A LAT Share**"); (ii) the class B "limited anti-takeover" share (the "**B LAT Share**"); and (iii) the class C "limited anti-takeover" share (the "**C LAT Share**") (the A LAT Share, the B LAT Share and the C LAT Share being, collectively, the "**LAT Shares**"). The rights attaching to the LAT Shares are set out below.

The Active LAT Share

The "Active LAT Share" shall be determined as follows:

- the Active LAT Share shall be the A LAT Share unless, for any reason, Dr Gordon Sanghera ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**GS Disqualifying Event**");
- if a GS Disqualifying Event occurs, then the Active LAT Share shall be the B LAT Share unless, for any reason, Dr James Willcocks ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**JW Disqualifying Event**");
- if a GS Disqualifying Event and a JW Disqualifying Event has occurred, then the Active LAT Share shall be the C LAT Share unless, for any reason, Clive Brown ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**CB Disqualifying Event**"); and
- if, at any time, each of a GS Disqualifying Event, a JW Disqualifying Event and a CB Disqualifying Event has occurred then, from the last of those events to occur, there shall no longer be any Active LAT Share.

The holder of a LAT Share will have the right to attend and speak at any general meeting of the Company. However, no LAT Share will carry any voting rights (other than in respect of a separate class meeting of the LAT Shares or any class of them (as a separate class)), until a Change of Control of the Company (in which case the Active LAT Share will carry the voting rights set out below).

Immediately on a Change of Control of the Company, the Active LAT Share will automatically carry such number of votes on any resolution put to the shareholders at a general meeting as shall be necessary to ensure the effective passing of such shareholder resolution if those votes are cast by the holder of the Active LAT Share in favour of, or to ensure the defeat of, such shareholder resolution if those votes are cast by the holder of the Active LAT Share against such shareholder resolution.

For the purposes of this summary, a Change of Control will broadly arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with them are interested) carry more than 50% of the voting rights exercisable by the shareholders on a poll in a general meeting (excluding those attributable to the Active LAT Share). In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (a) on a scheme of arrangement under Part 26 of the Companies Act 2006 at the point at which the scheme of arrangement becomes effective; and (b) on a takeover offer under Part 28 of the Companies Act 2006, at the point at which the takeover offer becomes unconditional in all respects.

No LAT Share will entitle any holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.

LAT Shares are not capable of transfer (unless pursuant to a purchase or cancellation by the Company of any LAT Shares following the sunset period (as set out below)) and the broader transfer provisions under the Articles applicable to the Ordinary Shares will not apply.

The rights attributable to a LAT Share will cease (and that LAT Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (a) the date falling three years after the date of the issue of that LAT Share; (b) the transfer of that LAT Share to any person; and (c) a GS Disqualifying Event, JW Disqualifying Event or CB Disqualifying Event (as relevant).

The rights attached to the LAT Shares (or any class of them) shall not be capable of being varied or abrogated in any respect whatsoever without the prior written consent of the holder of each affected class of the LAT Shares.

On 23 August 2021, the Company completed a bonus issue (one-for-one) and a subsequent share split (10-for-one) which resulted in share capital increasing from £35,000 to £71,000, with a corresponding decrease in accumulated income reserves. There was no cash or other financial impact.

36.3 Employer social security taxes on unapproved share options

Share options that are ‘readily convertible assets’ ("**RCAs**") (i.e. where there is an arrangement in place that allows employees easy conversion of shares into cash) typically attract social security taxes on exercise.

On 31 March 2021, the Company informed its shareholders that it had started the process of preparing for the IPO. Whilst the timing of the IPO is not under the control of the Company, due to market condition, at that time, the Company intended the IPO to occur in the second half of 2021.

As a result, in accordance with Section 702 (Earnings and Pensions) Act 2003, share options granted under the Unapproved Share Option Scheme have become RCAs and will be subject to social security taxes on exercise. The Company estimates employer social security taxes will not exceed £11 million based on the number of outstanding unapproved share options at 31 December 2020 as this is a non-adjusting subsequent event.

37. Litigation and Contingent Liabilities

PacBio filed a complaint against ONT Inc in the US District Court for the District of Delaware on 15 March 2017, alleging infringement of US Patent No. 9,546,400 (US '400). A subsequent complaint filed on 25 September 2017, alleged infringement of US Patent Nos. 9,678,056 (US '056) and 9,738,929 (US '929) and an amended complaint filed on 28 March 2018 also alleged infringement of US Patent No. 9,772,323 (US '323). PacBio also filed further complaints against the Company with the effect that both the Company and ONT Inc (together, "**Oxford Nanopore**") were parties to the proceedings. On 18 March 2020, a federal jury in Delaware found in favour of Oxford Nanopore and invalidated all four patents asserted by PacBio in this litigation. Following the verdict, PacBio moved the Court for judgments as a matter of law overturning the jury's invalidity findings. On 30 July 2020, the trial judge, Chief Judge Leonard Stark, denied all of PacBio's motions. The final verdict was entered on 13 August 2020.

PacBio appealed the ruling to the US Court of Appeals for the Federal Circuit. This appeal was limited to the determinations that the '400 and the '323 patents were invalid for lack of enablement. PacBio also asked that the Federal Circuit grant PacBio a new trial because it alleged Oxford Nanopore's references to its efforts relating to coronavirus detection unfairly prejudiced the jury. On 11 May 2021, the US Court of Appeals for the Federal Circuit issued a unanimous Precedential Opinion and Judgement affirming the jury's March 2020 verdict in the PacBio v. Oxford Nanopore case, that invalidated a number of PacBio patents. PacBio did not petition for a rehearing.

38. Ultimate Controlling Party

The Company is owned by a number of investors, none of whom is deemed to have overall control.

four.

The Board may decline to register a transfer of any of the Company's certificated Ordinary Shares by a person with a 0.25% interest if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those Ordinary Shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Variation of rights

Subject to the Companies Act 2006, rights attached to Ordinary Shares may be varied with the written consent of the Ordinary Shareholders of not less than three-fourths in nominal value of the issued Ordinary Shares (calculated excluding any Ordinary Shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the Ordinary Shareholders. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Ordinary Shares (calculated excluding any Ordinary Shares held as treasury shares).

The rights conferred upon the Ordinary Shareholders shall not, unless otherwise expressly provided in the rights attaching to those Ordinary Shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them or by the purchase or redemption by the Company of any of its own shares.

7.5 Rights attaching to LAT Shares

The Articles contain provision for three classes of "limited anti-takeover" share, each of £1.00 in the capital of the Company: (a) the class A "limited anti-takeover" share (the "**A LAT Share**"); (b) the class B "limited anti-takeover" share (the "**B LAT Share**"); and (c) the class C "limited anti-takeover" share (the "**C LAT Share**") (the A LAT Share, the B LAT Share and the C LAT Share being, collectively, the "**LAT Shares**"). The rights attaching to the LAT Shares are set out below.

The Active LAT Share

The "**Active LAT Share**" shall be determined as follows:

- the Active LAT Share shall be the A LAT Share unless, for any reason, Dr Gordon Sanghera ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**GS Disqualifying Event**");
- if a GS Disqualifying Event occurs, then the Active LAT Share shall be the B LAT Share unless, for any reason, Dr James Willcocks ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**JW Disqualifying Event**");
- if a GS Disqualifying Event and a JW Disqualifying Event have occurred, then the Active LAT Share shall be the C LAT Share unless, for any reason, Clive Brown ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "**CB Disqualifying Event**"); and
- if, at any time, each of a GS Disqualifying Event, a JW Disqualifying Event and a CB Disqualifying Event has occurred then, from the last of those events to occur, there shall no longer be any Active LAT Share.

Voting rights

The holder of a LAT Share will have the right to attend and speak at any general meeting of the Company. However, no LAT Share will carry any voting rights (other than in respect of a separate class meeting of the LAT Shares or any class of them (as a separate class)), until a Change of Control of the Company (in which case the Active LAT Share will carry the voting rights set out below).

Rights upon a Change of Control

Immediately on a Change of Control of the Company, the Active LAT Share will automatically carry such number of votes on any resolution put to the shareholders at a general meeting as shall be necessary to ensure the effective passing of such shareholder resolution if those votes are cast by the holder of the Active LAT Share in favour of, or to ensure the defeat of, such shareholder resolution if those votes are cast by the holder of the Active LAT Share against such shareholder resolution.

A Change of Control of the Company is defined in the Articles (and that definition is set out below in Part 18 (Definitions)). For the purposes of this summary, a Change of Control will broadly arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with them are interested) carry more than

50% of the voting rights exercisable by the shareholders on a poll in a general meeting (excluding those attributable to the Active LAT Share). In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (a) on a scheme of arrangement under Part 26 of the Companies Act 2006 at the point at which the scheme of arrangement becomes effective; and (b) on a takeover offer under Part 28 of the Companies Act 2006, at the point at which the takeover offer becomes unconditional in all respects.

Rights as to capital and dividends

No LAT Share will entitle any holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.

Permitted transfers

LAT Shares are not capable of transfer (unless pursuant to a purchase or cancellation by the Company of any LAT Shares following the sunset period (as set out below)) and the broader transfer provisions under the Articles applicable to the Ordinary Shares will not apply.

Termination of the rights attaching to the LAT Shares

The rights attributable to a LAT Share will cease (and that LAT Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (a) the date falling three years after the date of the issue of that LAT Share; (b) the transfer of that LAT Share to any person; and (c) a GS Disqualifying Event, JW Disqualifying Event or CB Disqualifying Event (as relevant).

Variation of rights

The rights attached to the LAT Shares (or any class of them) shall not be capable of being varied or abrogated in any respect whatsoever without the prior written consent of the holder of each affected class of the LAT Shares.

7.6 **Sub-division of share capital**

Any resolution authorising the Company to sub-divide any of its shares may determine that, as between the shares resulting from the sub-division, any of them may have a preference, advantage or deferred or other right or be subject to any restriction as compared with the others.

7.7 **General meetings**

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meetings. Under the Companies Act 2006 an annual general meeting must be called by notice of at least 21 days. Upon Admission, the Company will be a "traded company" for the purposes of the Companies Act 2006 and as such will be required to give at least 21 days' notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting or, pending the Company's first annual general meeting, at any general meeting. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every shareholder and every director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the Company will be a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of shareholders to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting.

The Board may make any arrangements it thinks fit to allow those entitled to do so to attend and participate in any general meeting, including by means of an electronic facility. However, general meetings cannot be held exclusively on an electronic basis.

7.8 **Directors**

Number of directors

The directors shall be not less than two and shall not be subject to any maximum number. The Company may by ordinary resolution vary the minimum and/or maximum number of directors.

Directors' shareholding qualification

A director shall not be required to hold any shares in the Company.

Schedule 4

Independent Strategic Review of UK Fintech (relevant extracts) – February 2021

Kalifa Review of UK Fintech



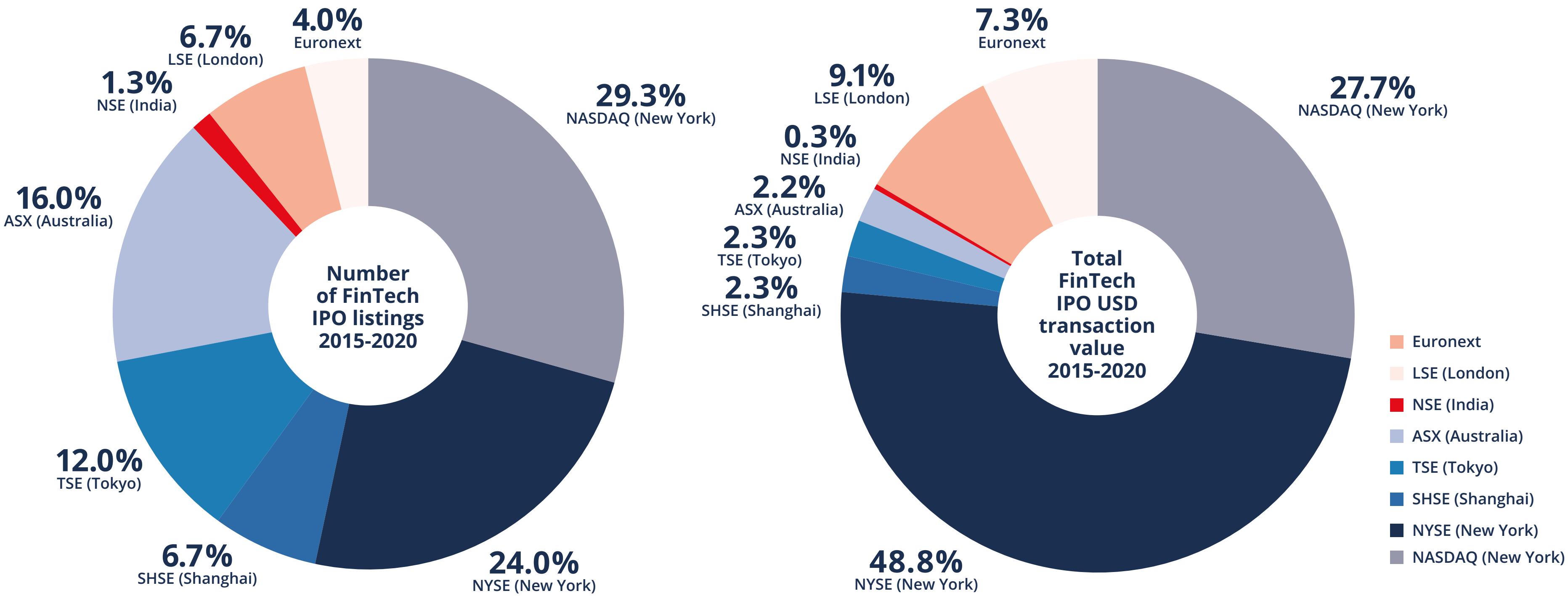

Fintech public listings

Current situation

Despite its strengths, the LSE has seen a decline in the number of listed companies across its markets by 45% since 1997 and the total IPO value on the LSE has fallen from £14.5bn in 2015 to £5.5bn in 2020. By contrast, the total IPO value on both the NYSE and the NASDAQ has increased during this same period. The UK needs to grasp the same opportunities as other fintech hubs internationally in providing maturing fintechs with public market capital and improving their access to longer-term and more cost-effective funding. Out of the 3,787 IPO listings across the world's major exchanges between 2015 and 2020, the US alone accounted for 39% via the NASDAQ and NYSE, while the LSE accounted for only 4.5%[79]. This is despite the creation of the High Growth Segment to help drive more companies towards listing, the Specialist Fund Segment and the Standard Main Market as well as maintaining a 'gold plated' Premium category.

Figure 9: Number and transaction value of fintech IPOs

Source: KPMG analysis



79 KPMG analysis

Some of this is due to structural differences between the exchanges. The UK's Premium Listing requirements, which are attractive to investors, can deter issuers especially when we consider that tech companies have the potential to list anywhere in the world. For example, the FCA Listing Rules allow for only a single share class meaning that founders floating their company will have to reconcile with ceding control. By contrast, the Hong Kong SAR, Singapore, and Shanghai, have all introduced dual listing in the past couple of years[80], making them more attractive locations.

In addition, the Premium segment requires a company to maintain at least 25% of its shares as a free float. Large companies may consider this to be too high, especially when considering the NYSE and NASDAQ impose value thresholds rather than a percentage depending on the market, meaning that the percentage can be considerably lower than 25%. The UK has previously proposed lowering the free float, but this was rejected. In 2012, the then Financial Services Authority proposed to allow companies with a free float below 25% to list in the UK so long as there was sufficient liquidity in their shares. However, this was heavily criticised by investment groups, including the National Association of Pension Funds, that feared this could negatively impact minority shareholders. Yet, eight years on and pointing to the success of the NYSE and NASDAQ, it is clear that allowing more flexible listing requirements has proved popular among companies and investors, allowing the UK's global exchange competitors to surge ahead with IPO volumes: The NASDAQ and NYSE together made up 53% of total fintech IPO listings between January 2015 and December 2020.

There could also be deeper cultural issues limiting the UK's success. Among UK-based investors, knowledge about the growth opportunities in general – and fintech specifically – is scarce, creating a lack of local support for such companies. Truly international investors and asset managers are agnostic about where a company lists as long as the exchange is well regulated and valuations are comparable. This absence of a strong domestic growth-oriented investor base has led the UK's capital environment to be less welcoming and experienced than asset managers focussed on US markets for example.

The opportunity

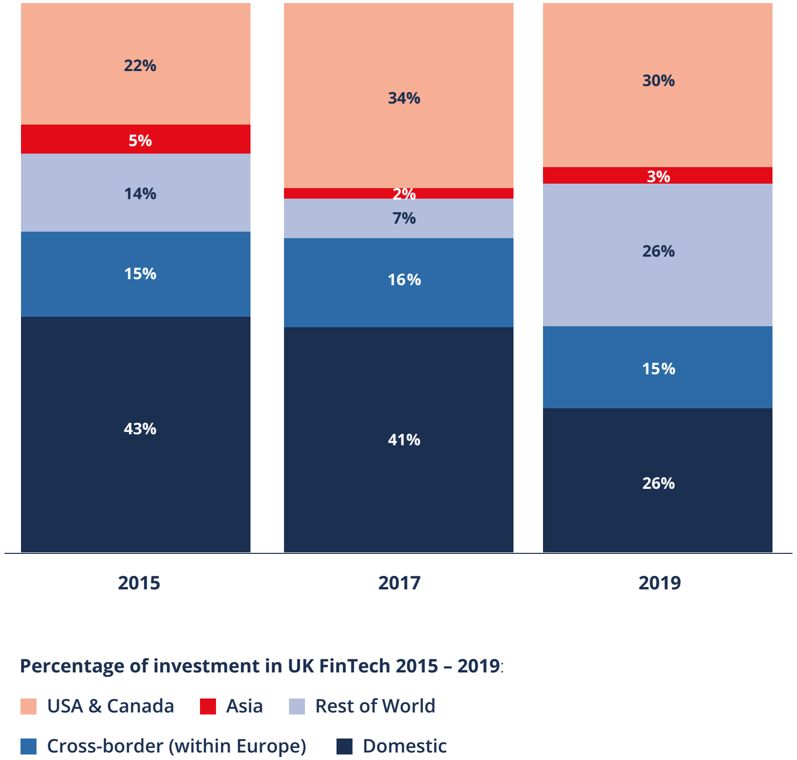
In short, regulatory and cultural reforms are necessary to overcome the above-mentioned shortcomings and entice UK fintechs to list at home. Market participants believe that if just five substantial and comparable fintech companies were to go public in the UK, this would be enough to generate high quality research, useful market comparables, knowledgeable investors, and most importantly, comparable valuations to NASDAQ and NYSE. At present, more than a third of privately funded UK fintechs expect to undertake an IPO within the next five years and will therefore right now be considering their listing destinations. The current leading UK fintechs, of which nine are unicorns, have largely been funded by foreign capital at their later stages of growth. Their boards are global in outlook, founder-influenced and rational. Hence, they will seek the best financial solution for their shareholders and future company strategy. Ensuring that as many of these companies stay in the UK rather than choose another listing destination is vital for the fintech sector and the UK economy. And this is in our hands.

> "We welcome the Fintech review findings, which highlight the great number of innovative founder-led fintech businesses in the UK. It's important that we continue to develop the UK's finance ecosystem, improving the route from private to public capital, in order to support these fantastic high-growth companies."
>
> **David Schwimmer**
> Chief Executive Officer, LSEG.

80 https://www.iflr.com/article/b1lmx6clj4l38j/the-revival-of-dual-class-shares

Figure 10: Domestic investment accounts for a falling proportion of total UK fintech investment

Source: Pitchbook



Beyond retaining UK-based fintechs, reforms could also make the UK listing environment attractive to foreign companies. In the EU, each of the 27 remaining members are fighting hard to keep their national successes on their own exchanges. For example, Adyen which listed on Euronext Amsterdam in 2018, is now valued at €45bn and is trading at 6x its IPO price; Allegro, which listed on Warsaw in the Poland's largest ever IPO, rose 65% on its first day of trading, to be valued at €20bn. This fragmentation of the EU listings market may yet continue, so the LSE still has the potential to maintain its lead in Europe post-Brexit. To do so, it must not only keep its UK successes, but also look to attract fintech issuers from across the globe, as it has done successfully in a number of other sectors, including Mining and Minerals.

Many of the changes recommended here have been under discussion with the FCA for some time, and they have indicated an 'open-mind' to change. There are however some legacy industry participants who are resisting change. A government-led initiative which indicates that 'Global Britain' is open for business to technology entrepreneurs and their private backers, would help to overcome those that remain unsupportive. The commissioning of Lord Hill's review on listings reflects the desire within government to ensure that the UK is a popular destination for IPOs with the necessary rules and processes in place to support those companies seeking to list on the main UK markets. The broader changes outlined in this chapter would also create a platform for other technology sectors to build their cluster of successes, so that the UK listing environment becomes one facing the future and not the past. This would in turn provide greater assurances for issuers and attract them to explore the UK's public listings, increasing supply and enhancing the UK as a listing environment to rival that of the US and China.

Case Study

Checkout.com

Company name:
Checkout.com
Fintech vertical:
Connected Payments
Headquarters: **London**
Office locations: **Paris, Aix en Provence, Berlin, Porto, Barcelona, Dubai, Riyadh, Mauritius, San Francisco, New York, Denver, São Paulo, Singapore, Hong Kong, Shanghai, Melbourne, Perth**
Number of staff in the UK: **600**
If international, number of staff globally: **1,000**
Number of staff hired in 2020: **500**

What problem is your company solving?

Checkout.com believes that financial complexity is a barrier to innovation which is blocking global economic prosperity. Its cloud-based Connected Payments technology makes payments seamless for businesses, empowering them to cut through this complexity and innovate, launch new products in new markets, and create outstanding customer experiences -- while driving more revenue from every transaction.

Checkout.com provides the fastest, most reliable payments in more than 150 currencies, with in-country acquiring, world-class fraud filters and reporting, through one API. It enables businesses to accept all major international credit and debit cards, as well as popular alternative and local payment methods, and offers local expertise through its 17 offices globally.

How many UK jobs have you created in the last 2 years? Do you have any further plans to expand, either in the UK or overseas?

Since the start of 2019, Checkout.com has added 450 net new jobs in the UK, doubling the size of its London team for two consecutive years, and making it one of the most prolific creators of high-skilled jobs in UK fintech. In 2020, the business made a multi-million pound investment in new state-of-the-art headquarters in London's Shoreditch, giving it further space for UK growth.

Checkout.com has big plans to continue growing globally from its UK headquarters. Its Series C fundraise in January 2021 – which made it the largest venture-backed businesses in EMEA and the fifth largest fintech globally – gives it one of the strongest balance sheets across all global fintechs. This will enable continuing strategic investments and product developments, like the Checkout.com Payouts solution which saw exponential growth over the last year. To support is ambitious plans for the future, the business intends to hire an additional 700 people across all its locations i n 2021.

Give us one or two examples of how your firm has made life easier for a specific customer

Checkout.com powers many world-leading fintechs, including Wise. Its agile payment technology gives Wise improved authorization rates, full transparency into its payment flows and best-in-class global payouts, allowing the company to cut through legacy complexity to scale its services and break new ground. Working with Checkout.com has allowed Wise to understand its payment data better and turn it into actionable insights, allowing the business to increase its approval rates by a full percentage point. With over 9 million customers and billions in transactions a month, that extra 1% adds up and has a significant impact on Wise's bottom line.

Checkout.com also powers some of the world's biggest eCommerce players. The Hut Group, which recently floated on the LSE, selected Checkout.com as its global payment provider. THG specialises in taking brands such as Nestle, PZ Cussons, Homebase, Group L'Occitane and Clorox direct to consumers. Plugging into Checkout.com's Connected Payments platform will support the global growth strategies of THG's 200+ consumer brands, providing their customers with even more payment opportunities, and helping them to unlock new revenue streams through payment optimization.

Fintech Public Listings Recommendations:

Below, we discuss potential reforms to better position London as a global go-to destination for fintech public listings and investments. In general, our focus has been on simplifying the choices for issuers and investors alike.

Reduce free float requirements on the Premium segment from 25% to 10%, for a limited time post-IPO; or put in place a minimum threshold.

Currently, a new issuer in the UK must ensure that at least 25% of their shares are at all times in 'public hands' in one or more European Economic Area Member States. The aim is to ensure that there is enough liquidity by forcing a quarter of the shares to go to smaller and non-company-related shareholders. However, this renders listing in the UK less attractive than other jurisdictions that offer greater flexibility around the percentage and/or the minimum threshold for free float. Reducing the requirement would allow founders and their private backers to retain more control and enable them to participate in the fintech's post-IPO growth in value. An alternate or parallel measure would be to increase the minimum viable size of a flotation. The NYSE and NASDAQ both have set minimum thresholds for free float of $40-60m. Increasing the threshold would ensure that there is a large enough absolute market cap to provide liquidity, mitigating concerns around needing a high free float threshold. This would also open up the possibility of setting free float percentages on a case-by-case basis – an attractive proposition for companies looking to list.

Enhanced governance rights: A golden share or dual class share structures.

At present, the UK Premium Listing Principles 3 and 4 support the 'one share, one vote' concept, so that all equity shares in a class that have been admitted to a Premium listing carry an equal number of votes on any shareholder vote. Dual-class structures involve two different classes of shares with differential voting rights. Under this structure, founders and other pre-IPO holders can keep hold of shares with enhanced voting rights, and sell a separate type of share to public shareholders. This flexibility can be particularly attractive to founders who wish to raise funds but still retain control and guard against unwelcome take-overs, particularly in the years immediately following an IPO. These structures are not possible for a Premium listing in London, though they are available on the less prestigious standard market (whose companies are excluded from the major indices) and importantly on all other major stock exchanges, such as the NYSE, NASDAQ, Euronext, Deutsche Börse, the Hong Kong Stock Exchange and the Singapore Stock Exchange. This means that UK investors and the fintech ecosystem risk losing key company listings that wish to mature gradually into Premium listed status, rather than make a giant leap.

Maintain the relaxation of pre-emption rights.

Under the current rules in the UK, a company can raise capital up to 5% of their issued share capital over a 12-month period for general corporate purposes and an additional 5% for specified acquisitions or investments. However, the Pre-Emption Group (PEG)—which issues voluntary guidelines and best practices on behalf of listed companies, investors and intermediaries—recommended on 1st April 2020 that investors, on a case-by-case basis, consider supporting placings by companies with up to 20% of their issued share capital. The recommendation was later extended to 30th November 2020.[81] Whilst this was intended as a temporary measure to help issuers raise capital faster and at a lower cost to weather the impact of covid, it has been broadly welcomed by the market and there is support from issuers for it to be continued. The experiment has demonstrated that issuers have approached the raising of additional equity capital responsibly, and the speed and ease of execution has been warmly received.

81 https://www.frc.org.uk/news/september-2020-(1)/pre-emption-group-extends-additional-flexibility-f

With the equity needs of our fintech community likely to persist for several years past the covid crisis, this seems like a permission that should
remain in place – albeit under appropriate and regular review.

Create a global family of Fintech Indices to improve understanding and enhance visibility of the sector, as well as attract index tracking hedge funds and investors. The leadership of FTSE Russell as an index provider is vital in creating the visibility of any new sub-sector as it emerges. The use of passive asset management is growing as an investment strategy. Over the past 10 years, it has doubled in the UK from 18% to 37% of market capitalisation. New segments such as the fintech sector often fall between two stools. In this case fintech falls between a financial services sector which is large, highly profitable, and well followed, but is full of legacy players with low growth and dividend paying stocks; and a technology sector where stocks are either categorised as horizontal players, such as cyber security, or a new vertical industry, such as e-commerce. These latter stocks are high growth, often loss-making, and rarely dividend paying, hence attracting higher multiples and delivering return to their investors through capital growth rather than dividends. Fintechs as a category can get lost in either of these broad indices. They follow different value creation paths as they face regional regulatory hurdles and the need to internationalise country by country. The creation of a global fintech index will start the process of carving out an understanding of this important emerging sector. Representatives from across both the fintech sector and investment community have confirmed that a fintech index could act as a positive driver for increased investment. Regional and sector indices can and will follow as the number of companies in each region grows and the unique characteristics of the sector is understood and rewarded by investors. Eventually, when enough UK fintech companies have listed and formed a sub-sector, then a UK index could become a bellwether for all UK fintech stocks and cement the leadership of the UK as a listing destination for this sub-sector.

Schedule 5
UK Listing Review (relevant extracts) – March 2021

UK Listing Review

3 March 2021

2. Improving the environment for companies to go public in London

The recommendations set out in this section are intended to encourage companies to list in London at an earlier stage of their growth cycle, in line with developments in other jurisdictions. This should, in turn, broaden the listed investment landscape for both institutional and retail investors in the UK. We also consider that the proposed changes will increase the attractiveness of listing in the UK for issuers when set against the choice of global markets that they have at IPO, as well as the wider choice as to whether to go public or stay private.

2.1 Allow companies with dual class share structures to list in the premium listing segment but maintain high corporate governance standards by applying certain conditions.

These would include:

- **a maximum duration of five years;**
- **a maximum weighted voting ratio of 20 to 1;**
- **require holder(s) of the Class B shares to be a director of the company;**
- **voting matters being limited to ensuring the holder(s) are able to continue as a director and able to block a change of control of the company while the DCSS is in force; and**
- **limitations on transfer of the B class shares.**

Being listed in the premium listing segment is attractive for many companies and its eligibility requirements and continuing obligations are reassuring to investors in ensuring the companies they invest in adhere to high corporate governance standards. Yet, for some companies the point of going public, while a sign of success, is also a time of vulnerability.

They are immediately operating in the short-term environment of quarterly or half yearly results and immediate shareholder reactions. Arguably, that is the point at which the company is most at risk of falling sway to the dangers of short-termism by both investors and directors as the public share price provides a daily report card on their decisions. It also leaves them vulnerable to unwanted takeovers as they haven't had time to build up the faith and goodwill from their shareholder base necessary to avoid shareholders taking quick win profits over longer term value.

This is particularly the case for founder-led companies for whom dual class shares structures are most attractive. They provide a way for the founder of the company to continue to be able to execute their vision for how the company should evolve and grow while still allowing others to share in that growth – be it employees or new shareholders and the general public. Their vision and their ability to execute that vision is often part of the company's selling point. Investors will factor this into price, which will affect whether they do or don't want to buy the company's shares.

When founders bring their companies to market, they often seem to be concerned mostly about their vision not being derailed by being removed as a director/CEO. However, perhaps the bigger risk to founders as they come to market is that their vision is not able to come to fruition because the company, once listed, can be subject to an opportunistic takeover bid at a conventional bid premium to the market price. We have seen a number of examples of this in recent years.

Therefore, providing founders with a transition period during which they are able to ensure that control is retained – on the basis of their vision and control rights having been fully disclosed to prospective investors at the time of listing – would seem to be a sensible way forward. We recommend that the FCA creates new rules-based provisions within the Listing Rules for dual class share structures – in the same way as the measures put in place for sovereign-controlled companies a couple of years ago. These rules would provide a transition period, with conditions that apply during that time, for issuers that have dual class share structures to be eligible for a premium listing.

These rules should include the following restrictions:

- a maximum duration of five years
- a maximum weighted voting ratio of 20:1 – to ensure that holders of weighted voting rights need to have a minimum economic interest in the company
- limitations on transfer - the shares must convert on transfer, subject to limited exceptions including for (a) transfers for estate planning purposes; (b) transfers for charitable purposes
- limitations on who is able to hold the voting class shares – limiting it to individuals who are directors of the company
- limiting the set of matters that could be subject to weighted voting for the duration of the DCSS, namely the holder of the Class B shares:
    - being able to ensure they remained as a director; and
    - being able to block a takeover.

At the end of the transition period, companies would either become subject to all of the rules of the premium listing segment, or alternatively, could move segment and maintain or even expand the scope of their share structure, subject to a shareholder vote.

This regime is designed to address the concerns of founder-led companies. The restrictions on its use are therefore intended to ensure the holder of the B class shares is engaged in the running of the company and maintain an economic interest in the company. We have sought to set objective criteria to avoid the need for individual judgements around the suitability of different companies for the structure.[4]

Implementation:

In order to implement these changes, the FCA will need to consult on changes to the Listing Rules.

2.2 Rebrand and re-market the standard listing segment. Its name should be changed, for example to the Main Segment, or by simply referring to companies being admitted to the Official List either by way of a Chapter 6 listing (current premium) or a Chapter 14 listing (current standard). Encourage investor groups to develop guidelines on areas they see as particularly important to allow for companies on the rebooted segment to be index-eligible.

The standard listing segment is widely acknowledged as suffering from an identity and a branding crisis. It began life as a venue for international companies, listed in other jurisdictions, to access more liquid and vibrant London markets. Then, as EU Directives required Member States to have markets with minimum standards, in a worthwhile attempt not to dilute high standards on London markets, it became a helpful category to which to apply those EU Directive minimum rules – while at the same time maintaining the super-equivalent premium listing segment. It very clearly was not established as a place designed to be attractive to companies of any particular size or type – whether they be technology companies, scientific companies or any other type of high or low growth companies.

While AIM is a hugely successful growth market – 54% of European growth capital was raised on AIM in 2020[5] – it serves a different purpose from the LSE's Main Market, as does the Aquis Stock Exchange. The average market cap of a company admitted to trading on AIM is £162 million, dwarfed by that of

[4] See annex A for a description of the rules in other jurisdictions regarding dual class share structures.
[5] Dealogic, January 2021, provided by LSEG

8. Annex A | Dual class share structures (“DCSS”)

8.1 Overview of dual class share structures

Dual class shares allow a shareholder (or group of shareholders) to retain voting control over a company disproportionate to their economic interest in the company. A typical dual class structure involves a company having two classes of shares, identical in all respects, except for voting rights. One class of shares is a “low vote” share, carrying one vote per share (Class A Shares), and another class of shares is a “high vote” share, typically carrying 10 or 20 votes per share (Class B Shares). The high vote shares are typically held by the founder (and potentially some or all other pre-IPO shareholders), while the low vote shares are held by third party investors on listing. In the US it is quite common for all pre-IPO shareholders to be given the Class B shares, due to corporate control issues under Delaware law. These issues are not relevant under UK corporate law and so it is much easier for the Class B shares to be given solely to the founder(s). Class A Shares and Class B Shares have the same economic rights, including with respect to the receipt of dividends.

When adopting a dual class share structure, consideration must be given to four key concerns:

1. conversion/termination: when the Class B Shares will convert into Class A Shares (this will be set out in the company’s articles, although could also be included in the Listing Rules). Generally, conversion will occur when there is a transfer of a Class B Share, subject to certain exceptions, including: (a) transfers for estate planning purposes; (b) transfers for charitable purposes; and (c) transfers among family members - however, these exceptions are often seen as more aggressive as they may overly entrench voting power with those who are unfamiliar with the needs of the company and/or the vision of the founder(s). In the UK context, the ability for the rights to

pass with the shares may also be limited by HMRC considerations around to what extent the rights are 'personal' to the holder.

2. sunset provisions: The Class B Shares will usually automatically convert to Class A Shares after a prescribed number of years following the IPO. Arguments are usually made for three, five or seven years although there are examples in the US of up to 20 years or no expiry date at all.

3. voting rights: It is possible to set a specific ratio that Class B votes are allowed to hold in comparison to Class A – e.g. 10 or 20 votes per share. If the ratio was set at 10:1 the Founder could control 50% of the voting power with 9.1% of the shares and if it was set at 20:1 the Founder could control 50% of the voting power with 4.8% of the shares. The anticipated profile of share grants to the founder(s) and new share issues or other dilutive events during any sunset period need to be taken into account in setting the voting ratio and ensuring the relevant level of control sought is maintained for the period.

4. scope of rights attached to Class B shares: It is possible for the weighted voting rights to apply to all matters or alternatively only to allow the holder of the Class B shares to exercise their additional voting power on certain issues.

8.2 Current UK requirements

Premium listed companies

Premium listed companies are effectively prevented by the FCA's Premium Listing Principles (part of the Listing Rules) from extending different voting rights to holders of different classes of shares.

These principles provide in particular that that "all equity shares in a class that has been admitted to premium listing must carry an equal number of votes in any shareholder vote" and that "where a listed company has more than one class of securities admitted to premium listing, the aggregate voting rights of the securities in each class should be broadly proportionate to the relative interests of those classes in the equity of the listed company".

As such, for example, a group of founder shareholders would generally be unable to hold special shares permitting weighted voting rights.

Shareholder voting is required on several key matters under the FCA's Listing Rules for the premium segment. A 75% majority of votes voting on the resolution is required for:

- Class 1 transactions (LR 10.5) a transaction where any percentage ratio is 25% or more
- related party transactions (LR 11)
- transfer outside of the premium listing category (LR 5.4A)
- employee share schemes and long-term incentive schemes (LR 9.4)

One item requires 75% of the votes attached to the shares voted on the resolution, and a majority of the votes attached to the shares of independent shareholders.

- cancellation of listing – (LR 5.2)

Beyond this, under the controlling shareholders provisions, if a company has a controlling shareholder it must have a constitution that allows for election of independent directors by both the shareholders and independent shareholders of the listed company (LR 9.2.2ER)

Standard listed companies

The rules for the standard segment, by contrast, contain no requirements for shareholder votes. Recently, The Hut Group have used this flexibility to institute a similar sort of structure to DCSS, using one special share that is held by the founder. S4 Capital has also used a similar structure.

8.3 International precedents

8.3.1 US

SEC rules do not prohibit the use of DCSS on public markets as it is considered outside their mandate. The US system is therefore based on transparency principles. Exchanges could theoretically introduce rules, but generally haven't. The main constraint on the use of DCSS in the US appears to be the inclusion criteria set by the indices in the US: new DCSS have been excluded from the S&P 500 since 2017 (although existing members with DCSS like Facebook are unaffected).

In terms of the four main criteria for companies using DCSS, US issuers are able to choose which safeguards they include in response to investor appetite:

- **Doordash:** 20:1 ratio; Class B shares allowed to vote on all issues; Convert to Class A at any time at the option of the holder, automatically 12 months following the death or permanent disability of the founder, automatically following the dismissal for cause of the founder; when the number of shares of any class held by the founder constitute less than 35% of the Class B Shares held by the founder after the IPO; automatically on the transfer to third parties, except for permitted transfers (including to family members, and certain organisations owned by Class B holders or their families); where the founder is no longer providing services as an officer, employee or consultant and is no longer a member of the board. No sunset.

- **Facebook:** 10:1 ratio; Class B shares allowed to vote on all issues; Convert to Class A at any time at the option of the holder, on the option of the majority of Class B shareholders, automatically on the transfer to third parties, except for permitted transfers (including to family members, and certain organisations owned by Class B holders or their families). No sunset.

- **Farfetch:** 20:1 ratio; Class B shares allowed to vote on all issues; Convert to Class A at any time at the option of the holder, on the option of the majority of Class B shareholders, automatically on the transfer to third parties, except to affiliates of the founder; automatically when holders of all Class B Shares hold less than 65% of the number of shares held by Class B holders at the time of the IPO; on the death of the founder. No sunset.

- **Peloton:** 20:1 ratio, Class B shares allowed to vote on all issues; Convert to Class A at any time at the option of the holder, automatically on the transfer to third parties except for permitted transfers (including to family members, and certain organisations owned by Class B holders or their families; the earlier of: on a vote by 2/3rds of the holders of Class B Shares; or when Class B Shares cease to represent at least 1% of all shares. 10-year sunset.

In 2016 fewer than 10% of US listed companies used DCSS – whereas between 2017 and 2019 20% of companies listing in the US have used it.[28]

8.3.2 Hong Kong and Singapore

In the wake of HKEX's failure to attract the Alibaba listing (which went to NASDAQ) Hong Kong and Singapore in 2018 introduced DCSS regimes with specific, enhanced safeguards.

Key features of these safeguards are:

- limited to innovative and high growth companies (applicants must demonstrate this). Minimum market cap of 1.28 billion USD and, if that is not met, a lower requirement combined with a revenue test in Hong Kong; 214 million USD in Singapore.

[28] Committee of Capital Markets Regulation, the rise of dual class shares: Regulation and implications, https://www.capmktsreg.org/wp-content/uploads/2020/04/The-Rise-of-Dual-Class-Shares-04.08.20-1.pdf

- sunset provisions including weighted voting rights ceasing on transfer, meaning they really can only be used by "founders".
- ratio of voting power of weighted voting shares to not exceeding 10 times the voting power of ordinary shares.
- certain matters being reserved for one vote per share including changes to constitutional documents, variation of class rights, appointment/removal of INEDs/auditors and winding-up

8.3.3 Europe

The recent Oxera report "Primary and secondary equity markets in the EU"[29] brought out the differences within Europe as regards multiple voting rights. They are allowed under company law in Denmark, Finland, France, Italy, Ireland and Sweden but are not allowed in Germany, Portugal and Spain.

[29]Primary and secondary equity markets in the EU, https://www.oxera.com/publications/primary-and-secondary-equity-markets-in-the-eu/

Rules on share class structure by country, as at 2019 – reproduced from Oxera report

Country	Limited voting rights allowed	No voting rights allowed	Multiple voting rights allowed
Austria	✓	✓	x
Belgium	✓	✓ (up to 1/3 of total shares)	x
Demark	✓	✓	✓
Finland	✓	✓	✓
France	✓ (up to 1/2 of total shares)	✓ (up to 1/4 of total shares)	✓ (Loi Florange, 2x voting on shares with holding >2 years)
Germany	✓	✓ (up to 1/2 of total shares; must have preferential rights to dividends)	x
Ireland	✓	✓	✓
Italy	X (preference shares allowed under certain conditions)	✓ (up to 1/2 of total shares)	✓ (loyalty shares, 2x voting on shares with holding >2 years)
Netherlands	✓	x	
Portugal	✓	✓ (up to 1/2 of total shares)	x
Spain	✓	✓ (up to 1/2 of total shares; must have preferential rights to dividends)	x
Sweden	✓	x	✓ (up to 1/10 of total shares)

Schedule 6
FCA Primary Markets Effectiveness Review (relevant extracts) – July 2021

Primary Markets Effectiveness Review

Consultation Paper
CP21/21***

July 2021

5 Dual class share structures

5.1 This chapter sets out our proposal to facilitate a targeted and time-limited form of dual class share structure (DCSS) within our premium listing segment.

5.2 Specifically, we intend to introduce a 5 year exception to the rule that restricts votes on matters relevant to premium listing to holders of premium listed shares only. The purpose of this is to enable holders of unlisted weighted voting rights shares, a specific kind of DCSS, to also participate in these votes and thereby to remove a major obstacle to that kind of structure listing in the premium segment.

5.3 In line with the UK Listing Review's recommendations, the specified kind of DCSS to which the exception will apply is one where the class of shares with weighted voting rights meets the following conditions:

- a maximum weighted voting ratio of 20:1
- may only be held by directors of the company or beneficiaries of such a director's estate
- weighted voted rights only to be available in two limited circumstances: (i) a vote on the removal of the holder as a director at any time and (ii) following a change of control, on any matter (to operate as a strong deterrent to a takeover)
- conversion to ordinary premium listed shares upon transfer to anyone other than a beneficiary of the director's estate

5.4 We propose that shares that meet these conditions will be referred to as 'specified weighted voting rights shares' for the purposes of the premium listing regime.

5.5 Through our own engagement with stakeholders, review of industry surveys and the UK Listing Review and Kalifa Review of UK Fintech, we know that there are specific aspects of the Listing Rules which are acting as barriers to listing for some issuers.

5.6 Our objective is to facilitate innovative growth companies listing on public markets at an earlier stage in their development than they otherwise would have. This will consequently expand the opportunities available to investors to participate as these companies grow.

Background

5.7 A DCSS involves a class of shares that allows a shareholder (or group of shareholders) to retain voting control over a company that is disproportionate to their economic interest in the company.

5.8 A typical DCSS involves a company having two classes of shares, identical in all respects, except for voting rights. One class of shares is a 'low vote' share, carrying one vote per share, and another class of shares is a 'high vote' share, typically carrying 10 or 20 votes per share. The high vote shares are typically held by the founder (and potentially some or all other pre-IPO shareholders), while the low vote shares are held by third party investors on listing.

5.9 Historically, the FSA and then the FCA have chosen not to facilitate companies with this type of DCSS listing in the premium segment. This is based on the principle that premium listed shares should operate under a 'one share, one vote' system. This served to ensure premium listing represented a high corporate governance standard.

5.10 In 2013, when we last considered this issue in CP13/15, we introduced LR 9.2.21R and Premium Listing Principle 4. LR 9.2.21R limits participation in votes arising as a result of the Listing Rules for premium listed companies (such as approval of Class 1 and Related Party Transactions) to shares that are themselves premium listed. Premium Listing Principle 4 provides that where a company has more than one premium listed class of share, the voting rights attached to those shares should be broadly proportionate to their interest in the equity. Together, these elements were intended to disincentivise the creation of artificial structures involving multiple classes with different voting powers designed to allow control to rest with a small group of shareholders.

5.11 In general terms, DCSS structure could be incompatible with current Listing Rules for the premium segment in several ways, including:

- under LR 9.2.21R (as noted above), voting on matters relevant to premium listing is exclusively reserved to holders of premium listed shareholders
- under the LR eligibility conditions and continuing obligations an issuer must be able to demonstrate it can run an independent business, including the freedom to pursue its own business strategy
- where the intention is to list the class carrying weighted voting rights, that would be incompatible with Premium Listing Principle 4

5.12 Generally speaking, therefore, it is currently impractical to list shares issued by a company with a DCSS in the premium listing segment.

5.13 We are proposing to remove a key obstacle to the specific kind of limited DCSS by allowing an unlisted class of shares that meets the conditions – specified weighted voting rights shares – to vote on the premium listed issues otherwise reserved to holders of premium listed shareholders by LR 9.2.21R for a period of five years.

5.14 We do not propose to amend Premium Listing Principle 4 because we do not consider this to be necessary for the specified kind of DCSS described to be compatible with the Listing Rules. This is because one of the key conditions attached to this kind of DCSS is that the shares that carry weighted voting rights may only be held by a director or a beneficiary of their estate. This particular limitation means that we would not expect such shares to be listed.

5.15 It is important to note that there are no restrictions to a DCSS in our standard listing segment, where the Premium Listing Principles and LR 9.2.21R, for instance, do not apply, as well as in unlisted markets in the UK.

Recent UK developments around DCSS

5.16 As part of the UK Listing Review, there was a call and subsequent recommendation that we should consider allowing companies with DCSS to list in the premium listing segment. This was because the prohibition was a significant barrier to certain types of company listing in that segment. The recommendation also proposed maintaining high corporate governance standards in parallel, by applying certain conditions to DCSS.

5.17 The conditions the UK Listing Review set out were:

- a maximum duration of five years;
- a maximum weighted voting ratio of 20:1;
- requiring holder(s) of B class shares to be a director of the company;
- voting matters being limited to ensuring the holder(s) are able to continue as a director and able to block a change of control of the company; and
- limitations on transfer of the B class shares.

5.18 Alongside the UK Listing Review, the Kalifa Review of UK Fintech recommended that we should explore DCSS or a 'golden share' concept.

5.19 We have also heard wider representations about DCSS and seen evidence of a change in the nature of companies coming to market. These suggests we should update the approach we took when we last consulted on this issue in 2013.

5.20 At the same time, we recognise that some stakeholders, particularly among investor groups, believe that DCSS risk undermining strong corporate governance and do not allow for sufficient shareholder influence over company management. This is particularly the case where they grant wide-ranging voting control that is transferable and persists over time. This is also relevant given the increasing focus on investments based on environmental, social and governance (ESG) factors.

5.21 We have taken these concerns into account when designing the proposals set out below, seeking to retain the majority of the shareholder protections that characterise the premium listing regime. We also know that some investors may not support DCSS.

Why we are intervening

5.22 While the UK remains a leading financial centre, there may be scope to bolster the accessibility of our listed markets to innovative technology companies and address the broader long-run decline in the number of companies on UK listed markets. We consider listed markets can improve choice for issuers and investors based on high levels of transparency, price efficiency and access. Allowing companies using specified weighted voting rights shares in premium listing is intended to broaden the listed investment landscape for both institutional and retail investors in the UK.

5.23 Companies in new industries, predominately led by founders and reflecting the ideas-led products or services they are offering, want to be able to access our most 'senior' premium listing segment to strengthen their companies' reputation. At the same time, these issuers may be particularly sensitive to the threat of a takeover or removal as directors once they become listed companies, before they have had an opportunity to deliver the next phase in their business strategy. These companies are therefore more likely to choose to list in other jurisdictions if dual class shares remain unavailable in the premium listing segment.

5.24 There is also a possibility that these companies choose to list in the standard segment, on unlisted markets, or remain private. While none of these outcomes is necessarily bad, we do consider that the additional corporate governance and shareholder protections in the premium listing segment are better for shareholders.

5.25 The stronger corporate governance conditions in the premium listing segment also give greater confidence to the market, attracting superior levels of investment by a larger number of investors. As a result, issuers are themselves attracted to the premium segment where they can draw greater levels of investment at, potentially, a better price than compared with the standard segment

Q18: Do you agree with our rationale for introducing DCSS to the premium listing segment? Is there any additional evidence that we should consider?

Changes we are proposing

Scope

5.26 We propose amending the Listing Rules that apply to premium listed issuers to enable holders of specified weighted voting rights shares to vote in matters otherwise reserved to shareholders of premium listed shares for up to five years from the date the premium listed shares were admitted to premium listing. This would only be available to issuers seeking admission to premium listing for the first time.

5.27 The specific features of the regime have been designed to meet the needs of founder-led growth companies, and address the specific barriers to these companies listing in the premium segment. However, we do not limit the scope of the regime to these companies, instead preferring to set objective criteria that different types of company may meet.

5.28 We do not propose to allow Sovereign Controlled Commercial Companies, listed under LR 21, or Closed-Ended Investment Funds, listed under LR 15, to make use of this exemption. We consider that the specific features of these issuers are already taken account of in the Listing Rules and they are unlikely to benefit from the specific features of the changes we are proposing.

5.29 Any company using this exemption would be covered by the provisions within LR 9.2.6ER that require a document describing the rights attached to the listed equity shares to be forwarded to the FCA for publication. These would then be accessible to all shareholders, and the public via the National Storage Mechanism.

Specified weighted voting rights shares

5.30 We are proposing to amend LR 9.2.21R, so that holders of unlisted shares with specified weighted voting rights would no longer be precluded from exercising voting rights attached to those shares on matters relevant to premium listing. This should enable a structure with those specific shares to operate effectively in the premium listing segment, while the company concerned continues to remain subject to all other applicable Listing Rules.

5.31 It is important to note that while the holders of the shares with specified weighted voting rights will be able to participate in these votes, it will be on a 'one share one vote' basis. The additional weight of the voting rights will not apply other than following a change in control (as described below).

5.32 The matters where LR 9.2.21R applies, and therefore the matters which holders of specified weighted voting rights shares would be able to participate as a result of our proposals are:

- approving a cancelling of listing, which needs 75% approval under LR 5.2R,
- approving the transfer between listing categories (in particular in this context, a transfer from premium listing (commercial company) to standard listing) which needs 75% under LR 5.4A
- approving a class 1 transaction, which needs shareholder approval under LR 10.5.1R and approving a materially changed class 1 transaction under LR 10.5.2R
- documents requiring prior approval including employee share schemes and long-term incentive plans and discounted option arrangements under LR 9.4
- votes on transactions such as rights issues and open offers under LR 9.5
- approval for significant transactions under LR 10
- approval for related party transactions under LR 11
- dealing in own securities and shares as outlined in LR 12

5.33 We are also not proposing to amend the rules on controlling shareholders/ independent shareholders or the requirements that the listed company carries on an independent business. In our view the specified weighted voting rights shares to which the exception to LR 9.2.21R applies would not necessarily be inconsistent with these requirements. They provide important shareholder protections that we wish to maintain.

5.34 We do not propose removing the protections that apply to independent shareholders where applicable to these votes, as referred to in LR 9.2.21R. So, for instance, approval of a cancellation of listing will continue to be subject to an additional majority vote of independent shareholders.

Q19: Do you foresee any limitations to our proposal if the weighted voting shares are unlisted?

Controls and limitations

5.35 A key premise of the amendments we are proposing is that they can only be taken advantage of by shares that meet the conditions for specified weighted voting rights shares. These will need to be demonstrated as a condition of eligibility for listing.

5.36 These conditions are that:

a. they entitle the holder to more than one vote per share on votes to remove the holder as a director of the company
b. in the event of a successful change of control, they allow the holder to exercise weighted voting rights in all circumstances
c. they set a cap on weighted voting rights relative to ordinary shares of 20:1
d. they require holders to be limited to directors of the company at the time of IPO, or following the death of a director, a beneficiary of the director's estate; and
e. they include a mechanism for the end of the 5 year exemption period, for example the conversion of the weighted voting shares to ordinary shares or their expiration

5-year limit on the use of DCSS within the premium listing segment

5.37 We propose that the exception to LR 9.2.21R is only applicable, in respect of each issuer, for up to 5 years from the date on which the company first had a class of ordinary shares admitted to premium listing – in effect a 5 year sunset clause. As noted, it would need to be demonstrated through the company's constitutional arrangements prior to listing that this provision can be complied with under the new LR 6.9.1AR.

5.38 Companies may choose for the weighted voting rights to be available for shorter periods than this.

5.39 We also recognise that some companies may want to extend their DCSS arrangements for longer than 5 years at the expense of their premium listing. To achieve this, the company would need to pass a shareholder vote to move to another segment, or de-list, in accordance with LR 5.4A or LR 5.2. It is important to note these matters do not fall within the matters that specified weighted voting rights shares would be permitted to carry weighted voting rights on, unless there has been a change of control (see below). Under these circumstances the holder would not be able to exercise their weighted voting rights in voting on the proposal to move segment or to delist. But a holder of specified weighted voting rights shares may participate in these votes on a one vote per share basis.

5.40 We do not expect issuers to find ways to extend the period during which they are able to take advantage of the changes we are proposing while remaining in the premium listing segment. We have therefore made clear in our proposal that we will not allow artificial means of prolonging the 5 year period.

5.41 We consider that a period of 5 years is appropriate to remove the threat of an opportunistic takeover in the early stages of listing. We believe mandatory time-based sunset provisions are the most effective safeguard against the entrenchment of weighted voting rights and a permanent exposure to moral hazard by minority shareholders. This number is consistent with the various academic research highlighted, such as, Cremers, Lauterbach, and Pajuste (2018), who found that discounts on the value of DCSS companies usually start to appear between 6 and 9 years after the IPOs.

5.42 From an investor perspective, there is also evidence that five years is perceived as an acceptable period for which to allow greater control by a new issuers' management. The CFA asked members in Asian jurisdictions, 'Which one of the following time-based sunset provisions do you consider as optimal?' Respondents were split between 3-5 years (48%) and 5-10 years (44%).

Q20: Do you consider that a five year sunset period for DCSS in the premium listing segment is the correct length to protect companies from unwanted takeovers? Please provide evidence for your answer.

Prevention of removal as director

5.43 The only circumstance in which specified weighted voting rights shares would be permitted to carry weighting voting rights is when there is a vote on the removal of the holder of specified weighted voting rights shares as a director, unless there has been a change of control (see below).

Weighted voting rights to be used to deter takeovers

5.44 The other way we propose for holders of specified weighted voting rights to benefit from the DCSS is following a change of control. Should the change of control be completed the share's weighted voting rights may apply to any matter put to the shareholders to be decided at a general meeting, including those required under the Listing Rules.

5.45 We consider this will be an effective deterrent from any potential takeover within the five year period, and as such the likelihood of this occurring is low. We consider this would make a DCSS company an unattractive takeover target.

5.46 For the purpose of the proposed rules, we define change of control as

- the acquisition by any person (other than the holder of a dual class share structure or any person acting in concert with them) of an interest in shares carrying more than 50% of voting rights that members of the company can exercise on a poll in a general meeting
- the moment at which a scheme of arrangement under Part 26 of the Companies Act 2006 becomes effective
- the moment at which a takeover offer under Part 28 Companies Act 2006, becomes unconditional in all respects

5.47 It would be for companies to design constitutional arrangements that fulfil these conditions. Consultation with the Takeover Panel may be necessary in individual circumstances. We are aware of structures currently used in the standard listing segment that are similar to this proposal in that they enable individuals to have controlling votes based upon their weighted voting rights following the completion of a takeover.

5.48 We recognise that the effect of this element of the proposal could be a company being listed in the premium listing segment with weighted voting rights across a wide range of matters. However, we consider that were this to occur, it would only be for the remaining duration of the 5 year exemption. Further the existing shareholder protections in the premium-listing segment – the controlling shareholder regime and independent business requirements- would provide additional protections.

> Q21: Do you consider that the mechanism proposed will be effective in providing a deterrent to unwanted takeovers? Please give reasons for your answer and any possible alternatives.

A maximum weighted voting right ratio of 20:1

5.49 We propose that a further condition to be satisfied by specified weighted voting rights shares is that, in the two circumstances where they are permitted to carry weighted voting rights, those rights are limited to a maximum weighting ratio of 20:1.

5.50 Weighted voting ratios ensure that the shareholders' stake in governance decisions is related to the degree of economic ownership. The higher this ratio the more disproportionate the level of control the holder would have in the company. This ratio can be set at a higher or lower level, with a commensurate effect on the equity share needed to have 50% control when the weighted voting rights are used.

5.51 It is important to note, that under our proposals and prior to a change of control, the specified weighted voting rights shares will not be used for votes taken under the Listing Rules. They would only be used in votes to prevent the removal of directors.

5.52 Typically, companies that use DCSS set a specific ratio of votes that the weighted shares can hold in comparison to ordinary shares – e.g. 10 or 20 votes per share. If the ratio was set at 10:1 the holder could control 50% of the voting power with 9.1% of the shares. If it was set at 20:1 the holder could control 50% of the voting power with 4.8% of the shares. This relationship is described in the table below.

Table 1: The impact of different weighted voting ratios on equity requirements

Ratio	20:1	10:1	5:1	4:1	3:1	2:1	1:1
Weighted	4.76	9.09	16.67	20.00	25.00	33.33	50.00
Unweighted	95.24	90.91	83.33	80.00	75.00	66.67	50.00

5.53 As we are proposing to limit the use of weighted voting rights severely, we think it is reasonable to set the level relatively high to ensure it is viewed as effective in the limited situations that it can be used. Hong Kong and Singapore, which allow a broader use of weight voting rights than we propose, set this level at 10:1. In the US, where there is no limit on either the ratio or use of DCSS, recent issuers have chosen various different levels. If we had proposed a broader use of DCSS, we would likely have considered a lower ratio to be more appropriate.

Only directors of the company can hold weighted voted shares

5.54 We propose that specified weighted voting rights shares may only be held by a director of the issuer or, following the death of a director, a beneficiary of the director's estate.

5.55 We consider this approach to be consistent with our policy intention that the regime should be more attractive to founder-led growth companies. Allowing individuals who do not direct the business to hold such shares or for those rights to be retained if transferred to another person if the director left their position would not be consistent with this intention.

5.56 This is consistent with our view that the purpose of DCSS should be to allow an individual or group of individuals to carry out their specific vision for how the company should evolve and grow. This provision will prevent directors passing their enhanced voting power to people who are unfamiliar with the company and/or the vision of the founder(s). It is also an important shareholder safeguard. Investors will be aware of any holders of weighted voting rights at the point of investing and may not have the opportunity to divest should the additional voting power pass to another individual.

Controlling shareholder regime

5.57 We are not proposing to amend the rules on controlling shareholders or the requirements that the listed company carries on an independent business. In our view the specified weighted voting rights shares to which the exception to LR 9.2.21R applies would not necessarily be inconsistent with these requirements.

5.58 Prior to a change of control the shares will only permit the holders to exercise weighted voting rights on the removal of a director.

5.59 After a change of control, the holders may exercise weighted voting rights on any matter put to shareholders for a vote at a general meeting, but whether that has implications for the company's ability to run an independent business, and whether that results in the relevant director becoming a controlling shareholder, will depend on the factual circumstances of the particular case. We also note, in any event that in this scenario there will be another shareholder, or group of shareholders acting in concert, that controls or control over 50% of the voting rights independently from the holder of any specified weighted voting rights share not involved in that group.

Potential consequences of our proposed intervention

5.60 We recognise that by admitting companies with a very limited form of DCSS to the premium listing segment we may face claims that it will affect the high corporate governance standards we apply to companies that choose to list here.

5.61 We also note that in jurisdictions with no regulatory limitations on DCSS, such as the US, founders can retain significant control in perpetuity with minimal economic stake in a company (for example Palantir in the United States). At such extremes, we agree incentives on company management may become misaligned, and shareholders' ability to influence them will be materially undermined.

5.62 However, we believe that the premium listing segment provides wide and significant additional safeguards for shareholders, even if using the proposed specified form of dual class share structure. We consider that these are sufficient to maintain high corporate governance standards and investor confidence in such issuers. These safeguards are also significantly higher than in the standard listing segment, or on unlisted markets in the UK, where these companies may otherwise access public markets.

5.63 We also recognise concerns about additional risks to consumers who invest via passive funds. Without changes to investment mandates these consumers are likely to be invested in DCSS companies that would not previously have been eligible for inclusion in the premium listing segment.

5.64 We do not see strong evidence to support a need for any broader application of DCSS. This also takes into consideration our view that a premium listing should continue to represent a high standard of corporate governance and shareholder engagement, and other options remain available if issuers want far more discretion – such as standard listing or unlisted markets.

5.65 When founders bring their companies to market, they often seem to be primarily concerned about their vision not being derailed by being removed as a director/CEO. However, perhaps the bigger risk to founders as they come to market is that their vision is not able to come to fruition because the company, once listed, can be subject to an opportunistic takeover bid at a conventional bid premium to the market price.

5.66 In general, our proposals are designed to be targeted and minimise concerns around corporate governance and address the specific elements of DCSS that are attractive to innovative growth companies. We have also considered these changes in the context of the entire listing regime and the considerable additional protections that premium listing provides. If DCSS do encourage a greater diversity in the types of companies listing in the UK or more 'growth' companies come to market sooner here in our premium segment, it may further diversify investors' risks and improve prospects for positive returns over time.

Q22: Do you agree with the proposed controls around DCSS in the premium listing segment? Are there any additional controls that would make the regime more effective?

Annex 2
Cost benefit analysis: dual class share structures

Introduction

1. FSMA, as amended by the Financial Services Act 2012, requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

2. This analysis presents estimates of the significant impacts of our proposal. We provide monetary values for the impacts where we consider it is reasonably practicable to do so. Where it is not reasonably practicable to do so, we provide a qualitative assessment of outcomes, taking account of various factors. Our proposals are based on carefully weighing up these multiple factors and reaching a judgement about the appropriate level of investor protection and market integrity.

3. As described in chapter 5, dual class shares allow a shareholder (or group of shareholders) to retain voting control over a company that is disproportionate to their economic interest in the company. A typical dual class share structure involves a company having two classes of shares, identical in all respects, except for voting rights.

4. Historically, the FSA and then the FCA has chosen not to allow DCSS in the premium segment, based on the principle that premium listed shares should operate under a 'one vote, one share' system. Dual class shares are possible in the standard segment.

Problem and rationale for the intervention

Background

5. Issuers in new industries, predominately led by founders want to be able to access the premium listing segment to enhance the reputation of their companies. At the same time, these issuers may be particularly sensitive to the threat of a takeover or removal as directors once they become public companies, before they have had an opportunity to deliver the next phase in their business strategy. Such issuers are therefore more likely to choose to list in other jurisdictions or remain private if dual class shares remain unavailable in the premium listing segment.

6. The Listing Rules for the premium segment do not include an outright prohibition on the listing of shares in DCSS companies. However, they do require that only the holders of premium listed shares can vote on matters on which the Listing Rules require a vote.

7. There is also a possibility that these companies choose to list in other segments other than premium listing. Premium listed companies comply with the UK's highest

standards of regulation and corporate governance, and consequently they may enjoy a lower cost of capital through greater transparency and through building investor confidence.

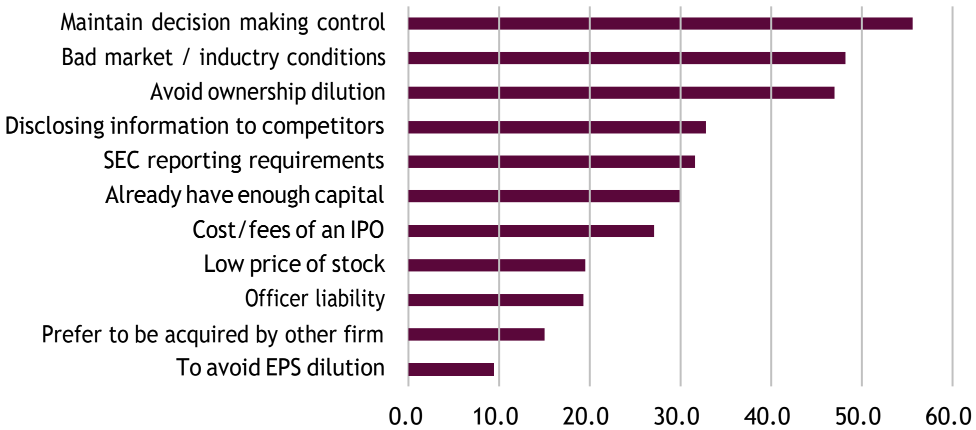
Drivers of harm

8. We consider the existing UK framework may benefit from reforms which could lead to improvements in market efficiency and effectiveness. The harm and drivers identified can be described as follows.

9. Regulatory failure: the current rules on DCSS are suboptimal because they act as barriers for some issuers which would benefit from listing in the UK, while these rules do not have offsetting benefits. In particular, companies where there is increased takeover risk – technology companies and companies with intellectual property – choose to incorporate in a jurisdiction with state-level antitakeover provisions or choose not to list at all.

10. A significant barrier is that companies are choosing not to list as they are concerned about losing control of the company. When surveyed, CFOs listed the maintaining of decision-making control and the avoidance of ownership dilution as 2 as the top 3 reasons for deciding not to list. Over half (55%) of companies stated that they preferred to use non-public sources of funding due to the desire to have decision making control.

Figure 1: Survey of CFOs questioning reasons not to list



Source: Evidence from CFOs Pertaining to the IPO Process: Practice, Theory, and Managerial Implications

11. This is also supported by research in The Impact of the Corporate Control Market on IPO Decisions (Boulton 2010). This study found that 26.0% of sample companies in the United States were acquired within five years of their IPO. This study also found that many IPO companies strategically choose the location of the IPO, based on statelevel anti-takeover to give protections to entrepreneurs. This study demonstrates the concerns that founders may have of an early take-over post IPO and the loss of control, and or vision, for the company they have developed.

12. Alongside this, the UK has one of the highest levels of merger and acquisition activity. Long-term improvements in measures of corporate performance, such as growth profitability and/or more direct measures of innovation are not the typical outcome of takeovers. It can be argued that the focus is on short-term share price performance to

avoid the threat of takeover rather than growing the company. This can be a hindrance rather than a help to improving UK investment opportunities.

13. The questions of control is again explored by Ewens and Farre-Mensa (2020) in the Deregulation of the Private Equity Markets and the Decline in IPOs where they found a key reason for companies staying private, or staying private for longer is that it allows founders to retain control of their companies.

The harm

14. The key harm is that by restricting access to DCSS in premium listing we may:

- discourage certain issuers from considering listing in the UK or listing at an earlier stage in their lifecycle, or potentially making a sub-optimal decision to list in our standard segment when they would otherwise be prepared to meet our other enhanced standards in premium listing; and
- reduce opportunities for investors to invest in founder led/growth companies on UK listed markets.

15. Companies staying private for longer or not listing at all, as found by Ewens and Farre-Mensa (2020), has two consequences; firstly it potentially deprives investors of sharing in the growth of the company if it chooses not to list, or secondly, it deprives investors the opportunity to invest earlier in the lifecycle of the company if they are staying private for longer.

16. There is also a possibility that these companies choose to list in the standard segment, on unlisted markets, or remain private. While none of these outcomes is necessarily bad, we do consider that the additional corporate governance and shareholder protections in the premium listing segment are better for shareholders.

Our proposed intervention

17. As stated in chapter 5, companies would be allowed to list two classes of shares in Premium Listing with different voting rights. We intend this to apply to companies that are new to listing or have not previously listed in the premium listing segment. This will allow companies to list earlier in their lifecycle, while retaining more control, and should allow investors to share in the returns from these companies.

18. We propose allowing companies with dual class share structures into premium listing subject to controls outlined in this paper. A key premise of the amendments we are proposing is that they can only be taken advantage of by shares that meet the conditions for specified weighted voting rights shares. These will need to be demonstrated as a condition of eligibility for listing. These conditions are:

- they entitle the holder to more than one vote per share on votes to remove the holder as a director of the company
- in the event of a successful change of control, allows the holder to exercise weighted voting rights in all circumstances
- sets a cap on weighted voting rights relative to ordinary shares of 20:1
- requires holders to be limited to directors of the company at the time of IPO, or following the death of a director, a beneficiary of the director's estate; and
- include a mechanism for the end of the 5 year exemption period, for example the conversion of the weighted voting shares to ordinary shares or their expiration

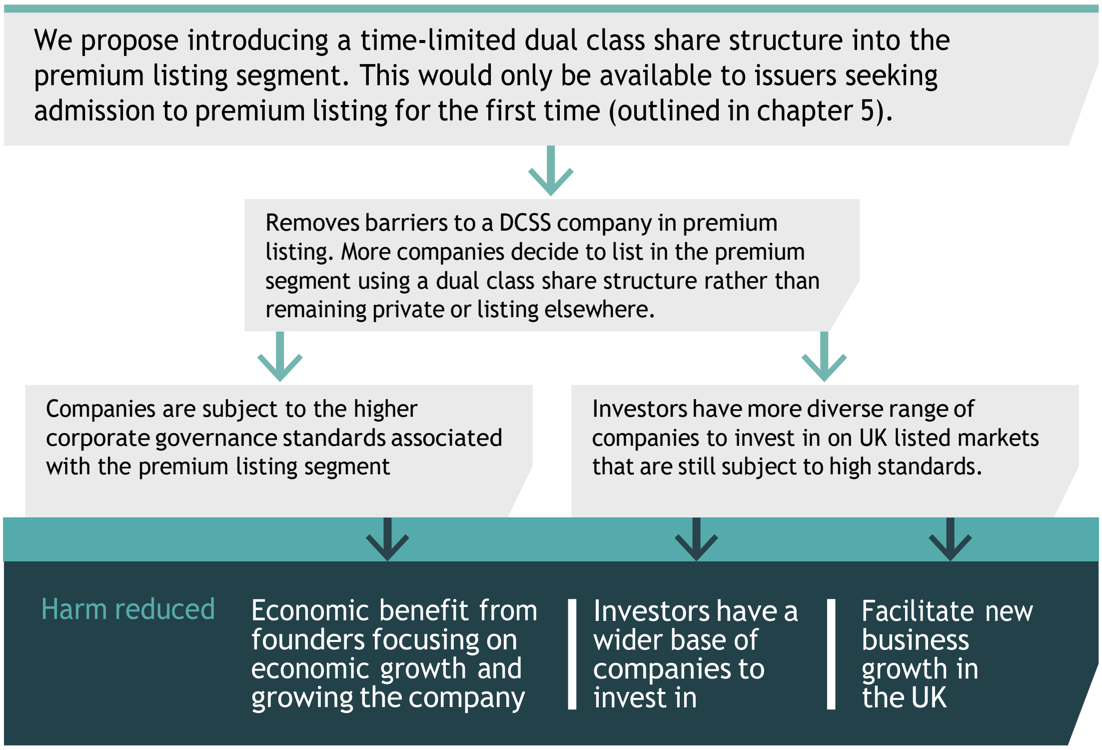
19. We explore the reasoning for introducing a 5 year sunset period below.

20. The CFA asked members in Asian jurisdictions, where DCSS companies have recently been permitted to list, which one of the following time-based sunset provisions they considered as optimal? Respondents were split between 3-5 years (48%) and 5-10 years (44%) *(CFA Institute – A Review of the Debate Surrounding Dual-Class Shares and Their Emergence in Asia Pacific).*

21. As discussed in chapter 5, a year sunset period is consistent with the various academic research we have examined, such as, Cremers, Lauterbach, and Pajuste (2018), who found that the benefits of DCSS structures usually start to fall away between six and nine years after the initial IPOs.

22. Examining externalities such as entrenchment, and the policy rationale to protect founder led companies in the early stages of the development and listing, it would be appropriate to limit the time frame where weighted voting rights can be implemented and to the lower of these scenarios.

Figure 2: Causal chain of introducing DCSS in the premium listing segment



The baseline

23. The counterfactual for our intervention is that companies will continue to list in the premium listing segment based on our current rules (ie it is impractical for companies with DCSS to list in the premium listing segment) or remain private/choose to list elsewhere, including listing in the standard segment using DCSS. We see no reason to believe that other regulatory changes contained in this consultation will significantly affect this baseline.

Assessing the expected costs and benefits

24. The benefits and costs of the changes we propose will only occur for companies listing with a dual class share structure within the premium listing segment. This is a choice, and we are not requiring companies to structure themselves in this way, either as part of their eligibility to list or as part of meeting their ongoing obligations. Our proposed changes are permissive so firm will only incur the costs of taking advantage of the rule change if the private benefits of doing so exceed the costs.

25. It is not reasonably practicable for us to accurately predict the number of companies that may wish to list with DCSS in the premium listing segment as a result of our proposals.

26. As a result, we do not think it is reasonably practicable to fully quantify the benefits and costs that might arise from our proposals. Therefore, we have set out below our quantitative and qualitative assessment of the impact of the proposals.

Expected costs

27. We expect market participants affected by our proposal will read the relevant parts of this consultation and will familiarise themselves with the requirements of the proposed rules.

28. We estimate the familiarisation costs for market participants based on assumptions on the time required to read the 14 pages-long CP excluding the legal instrument. We assume 300 words per page and a reading speed of 100 words per minute and estimate that it would take around 0.7 hours to read this document. We convert this into a monetary value by applying an estimate of the cost of time to market participants, based on the Willis Towers Watson 2016 Financial Services Report, adjusted for subsequent annual wage inflation and including 30% overheads.

29. We conservatively estimate that 1300 issuers on main markets (LSE data) will consider the proposed changes and estimate that per-company costs for 3 compliance officers to read the 14 pages of the CP on DCSS will be ca. £125. (In reality, not all listed companies will read this part of the CP.) Moreover, we estimate that it will cost ca. £310 for 2 members of the legal team to review the instrument. This assumes that to review 50 pages of legal text a legal team member in a listed firm would spend 2 days (14 hours) at a rate of £69/hour (which is adjusted for annual wage inflation and includes 30% overheads). We pro-rate this to the 8 pages of the instrument. Since it is likely that only listed companies which use DCSS will read the instrument and since the number of such firms is unknown, we do not give a total for all listed companies for the legal review.

30. We estimate that approximately 200 advisory firms currently operating in the industry will have to read and understand these changes. We use the same assumptions on words per page and reading speed to calculate costs of reviewing the CP. Moreover, we assume that to review 50 pages of text a legal team member in an advisory firm would spend 0.5 days and pro-rate this to 8 pages of the instrument. In total, we estimate that the one-off familiarisation costs for the advisory firms would be ca. £6,400 for the CP and ca. £6,100 for the instrument.

31. The estimated familiarisation costs and assumptions for listed companies and advisory firms are set out in tables 3 and 4 below. The management of companies floating in the future or new advisory firms will familiarise themselves with the Listing Rules applicable

at the time. Therefore, our DCSS proposals do not imply additional costs for such companies or advisors newly joining the industry.

Table 3: Familiarisation costs to review the CP (Figures presented in the text and tables are rounded.)

Category	Number of staff required to read the CP	Hourly staff salary	Familiarisation costs
Listed companies	3	£59	£125 (per company)
Advisory firms	2	£45	£32 (per firm)

Source: FCA approach to CBA, Willis Towers Watson 2016 Financial Services Report

Table 4: Familiarisation costs to review the instrument

Category	Number of staff required	Hourly staff salary	Familiarisation costs
Listed companies	1	£45	£310 (per company)
Advisory firms	1	£55	£31 (per firm)

Source: FCA approach to CBA, Willis Towers Watson 2016 Financial Services Report

32. Market integrity or market confidence risks may arise as an unintended consequences of the DCSS structure that we have put in place. This includes that management may not be as effectively disciplined if they face a reduce risk of removal or the company has less pressure to perform if there is less prospect of a takeover. This could arguably lead to poorer decisions/poorer performance of firm. This will be limited to the scope of DCSS powers being granted to directors.

33. However, we do not think that any material market integrity risks will arise from allowing dual class share structures into Premium Listing. This is because we have sought to minimise such risks through both the controls we have put in place around companies using a dual class share structure in premium listing, and due to the fact these companies will remain subject to wider range of obligations in our premium listing rules. The controls with our proposals include

- A time limit on the use of the DCSS measures and an anti-avoidance measure within the rules.
- The limitations around the use of weighted votes and the investor protections that remain around the controlling shareholder regime.
- The added corporate governance requirements contained in the premium listing segment.

34. A full description of the controls that we have put into place around the use of these shares can be found in chapter 5.

35. Our proposals will not impact existing premium listed companies, given DCSS will only be open to new premium listings. Our proposals may impact some existing standard listed companies to the extent that the introduction of DCSS influenced their potential consideration of moving to a premium listing in future, but this remains optional.

36. We recognise that allowing companies with dual class-share structures may reduce the reputation of the Premium listing brand in the UK and the high corporate governance standards we apply to companies that choose to list here. However, we believe that

the safeguards and controls that companies must adhere to when listing in premium listing using a dual class share structure maintains the UK's high corporate governance standards.

37. Lee, Stokes, Taylor and Walter (2013), state that post IPO management incentives can be less aligned with outside shareholders. With a DCSS structure this could lead to sub-optimal decisions and therefore performance of the firm, as management make decisions that are not aligned with most shareholders. However, we believe that the permitted usage of weighted voting (removal of a director and on a change of control) limits this risk.

38. There are likely additional costs for companies from FCA monitoring and applying enforcement oversight of the new rules. However, by requiring issuers to have mechanisms and disclosures in their prospectus documents and constitutional arrangements, we have sought to minimise ongoing costs and we consider these are unlikely to be material in the context of existing costs of compliance companies will have linked to our existing rules for listed companies.

Expected benefits

39. We think that the proposed change to our rules recognises the trade-offs that some companies face when deciding on whether to list in premium listing segment. While the policy proposals will not reduce all the harms we have identified, this change has benefits for issuers, investors and markets that we list below.

40. Benefits to issuers:

- removal of a regulatory barrier that may deter some companies from listing in the UK. This is noted by Deloitte who state '*the shrinkage of equity markets testifies to the powerful appeal of private forms of ownership*'. For companies that would otherwise remain private, this widens the choice for founder led companies wishing to raise capital in the UK, wish to retain control (as seen from the CFA survey in paragraph 11) in the early years, and increases the potential pool of capital available on public markets to private companies that are seeking investment and are sufficiently mature to enter the premium listing segment.
- for companies that would otherwise list in standard listing segment, this would allow them to benefit from the higher corporate governance standards of this segment as well as the reputational benefits listing in the premium listing segment brings. Premium listing may also increase the number prospective investors and the pool of capital willing to invest in an issuer, since some investment mandates may specify that they will only invest in premium-listed equities in the UK.

41. Benefits to investors and markets:

- by removing a regulatory barrier that may deter some companies from listing in the UK, investors may have wider and more diverse opportunities to invest in companies on UK markets. These opportunities will still offer enhanced investor protections from the premium listing segment (e.g. issuers will have to comply with the UK Corporate Governance code, and observe requirements ensuring shareholder notifications or votes on issues such as related party or significant transactions, which remain unaffected by our proposed reforms on DCSS).
- By removing a barrier to listing (as described in the harms), the proposals could facilitate business growth in the real economy, by bringing new companies to list

in the UK (whether from the UK or elsewhere) and increase activity and revenue opportunities for UK based financial and professional services firms. (We note that fee income to these firms is a cost borne by listing firms, i.e. the net benefit is zero.)

42. We consider it better for both investors and issuers that companies which have a market capitalisation of more than £50m operate on public, listed markets rather than unlisted, or private markets. Listed markets are subject to high regulatory standards (especially those of the premium listing segment), of shareholder protection and governance, compared to the alternatives.

43. The stronger corporate governance conditions in the premium listing segment also give greater confidence to the market, attracting superior levels of investment by a larger number of investors. As a result, issuers are themselves attracted to the premium segment where they can draw greater levels of investment at, potentially, a better price than compared with the standard segment.

44. Having considered the quantifiable and non-quantifiable costs and the non-quantifiable benefits, we see reason to believe that the expected benefits will likely outweigh the expected costs. This includes the unintended consequences that may arise from this policy, as the design of the controls seeks to minimise these (reputational risk for the premium listed segment and the impact on corporate governance).