



## Insight's dialogue with BSkyB bears fruit

The UK Takeover Code disbars a shareholder of between 30% and 50% of a company's equity from increasing its stake without making a full bid for the company, unless a majority of the other shareholders have, in a general meeting, waived the requirement to make a bid. This is commonly known as Rule 9.

In July 2004, BSkyB announced its intention to return surplus capital to shareholders. Insight informed the company that we would vote against that proposal if it led to an increase in NewsCorp's shareholding, which already stood at 35%. We were disappointed, but not surprised, when the AGM included the proposal to buy back shares and to waive Rule 9.

We informed the company that we would be voting against the resolution and asked the company to reconsider its proposal. Other investors indicated they shared our view that other mechanisms of capital return, such as a special dividend or a buy-back, in which NewsCorp participated pro rata, would be preferable.

In October 2004, Insight met with Lord Rothschild, BSkyB's Senior Independent Director, to explain our stance and our intention to vote against the proposal. The resolution was put to the AGM in November 2004 and carried with 90% support. A number of those who voted for, or expressed support for, this resolution subsequently intimated to us that, while not opposing the potential increase in NewsCorp's

share from 35% to 37%, they might be less inclined to support increases beyond this point in the future. However, the 10% of institutional shareholders who engaged with the company, including Insight, have clearly influenced the company's view. In August 2005, the company announced full year results for 2004 and stated:

*"The Board currently intends to propose resolutions at the AGM in November 2005 to renew the annual authority last granted by shareholders in 2004 to buy back up to a further 5% of its issued share capital. In pursuing a continued buy-back authority, the Board is sensitive to the concerns expressed by some Independent Shareholders.*

*Accordingly, as part of the buy-back proposals, the Board intends to enter into an agreement with News UK Nominees Limited, which would limit the exercise of its voting rights to the level held at the time of the 2005 AGM (expected to be no more than 37.2%). This voting arrangement will be conditional on the buy-back proposals being approved by shareholders. Further details of the proposals will be sent to shareholders in advance of the AGM."*

We are pleased with the outcome of our engagement with the company. Following the announcement, we wrote to Lord Rothschild, thanking the company for addressing our concerns and finding an acceptable solution of capping the overall voting rights at 37%. Insight supported the proposal for the share buy-back at the AGM in October this year.

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### Produced by the Insight Investor Responsibility Team

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