

THE TAKEOVER PANEL

AMENDMENTS OF DIRECTORS' SERVICE CONTRACTS

RULE 19

The Panel will regard as the amendment of a service contract under this Rule any case where the remuneration of an offeree company director (with a service contract with more than 12 months to run) is increased within 6 months of the date of the document. Therefore the fact of this increase must be disclosed in the document and the current and previous levels of remuneration stated.

RULE 38

This Rule in part reads as follows:-

"During the course of an offer, or even before the date of the offer if the board of the offeree company has reason to believe that a bona fide offer might be imminent, the board must not, . . . , without the approval of the shareholders in general meeting, . . . enter into contracts otherwise than in the ordinary course of business."

The Panel will regard amending or entering into a service contract with, or creating or varying terms of employment of, a director as entering into a contract "otherwise than in the ordinary course of business" for the purposes of this Rule, if the new or amended contract or terms constitute an abnormal increase in his emoluments or a significant improvement in his terms of service. This will not prevent any such increase or improvement which results from a genuine promotion or new appointment, but the Panel should be consulted in advance in such cases.

In any case where there is doubt over the interpretation of these provisions the Panel should be consulted. At an appropriate time the contents of this statement will be included in a practice note.

13 October 1982