



THE 3 BASIC RIGHTS OF MINORITY SHAREHOLDERS

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

The main challenges in ensuring equitable treatment of minority shareholders include:

Ensuring that the Board adopts a shareholders' perspective when making decisions and ensuring minority shareholders' interests are protected;

Improvements to the corporate governance;

Concerns of stakeholders at large vs shareholders of the Company;

Improving communications and interactions between minority shareholders, Board members and management;

Ensuring the minority shareholders are duly accorded with their three basic rights:-

- The right to seek information
- The right to voice opinion
- The right to seek redress

The right to seek information

Right to know about the price sensitive information of the company, fair to all shareholders irrespective of each individual's shareholdings.

Right to inspect the Register of Members, Directors, Charges, Debenture Holders, etc and get copy thereof.

Right to receive Notice of General Meetings (the AGM or the EGM).

Rights to receive annual report and audited accounts.

Right to receive quarterly and annual accounts.

Right to inspect the Minutes of General Meetings.

Right to be kept fully informed of what is happening in the company.

The right to voice opinion

Right to attend general meetings.

Right to requisition for a general meeting.

Right to get the court to direct the company to call a general meeting.

Right to appoint proxies to attend and vote at a general meeting.

Right to be heard and make proposals at shareholders' meeting.

Right to vote and elect directors and fix their remuneration.

Right to nominate director.

Right to appoint auditors and fix their remuneration.

Right to receive dividends, if declared.

The right to seek redress

- Section 181 of the Companies Act, 1965
- Common law derivative action
- Representative action (under Rules of High Court)

Circumstances under which Section 181 of the Companies Act, 1965 provides protection include where the company's affairs are being conducted in a manner deemed to be oppressive to, or in total disregard of the interests of the minority shareholders, and/or where the directors having exercised their powers in a manner deemed to be oppressive to, or total disregard to the interests of the minority shareholders.

Other circumstances include certain act of the company which has threatened, unfairly discriminated against or prejudicial to the interests of the minority shareholders; or where certain resolution of the members (or any class of them) has been done or has threatened or prejudicial or unfairly discriminated against the interests of the minority shareholders

Minority Representation

It is important for PLCs to ensure that board membership reflects the interest of minority shareholders. In this regard, the Independent Non-Executive Directors (INEDs) have an important role to play in ensuring minority shareholders' interests are protected. The INEDs also need to be easily accessible for minority shareholders to convey or raise their concerns. Minority shareholders can also nominate candidates for the INED position.

Ongoing Reforms

Ongoing reform efforts include the proposed revision to the Malaysian Code on Takeovers & Mergers, enhanced disclosures and approved requirements for related party transactions and modernization of the current regulatory framework with the setting up of a Corporate Law Reform Committee.

The ongoing reforms will enhance minority protection to ensure that they are treated fairly. More importantly, minority shareholders must be educated and well-informed on their rights for them to be heard and exert influence. Indeed, shareholder activism is a powerful tool to ensuring a vibrant and efficient capital market as well as appropriate corporate conduct.

The above is an excerpt to a presentation by Minority Shareholder Watchdog Group (MSWG) CEO Encik Abdul Wahab Jaafar Sidek at Asia Network on Corporate Governance of State-Owned Enterprises in New Delhi, India in June 2008.

MSWG was established on 30 August 2000 with the role to enhance shareholder activism and the protection of the minority interests as an integral part to the development of the capital market. For more information please visit www.mswg.org.my