



SAFEGUARDING INTERESTS OF MINORITY SHAREHOLDERS

*PICG RESEARCH PAPER ON MINORITY SHAREHOLDER
RIGHTS' PROTECTION PRACTICES*

Foreword

The Pakistan Institute of Corporate Governance (PICG) is pleased to present this research paper on ‘Safeguarding Interests of Minority Shareholders’ which reviews *Minority Shareholder Rights’ protection practices* in existence both locally and globally. This report aims to empower shareholders, particularly minority shareholders, with beneficial information to educate them about their rights and available means of participating in and protecting their shareholding within a company.

The Pakistan Institute of Corporate Governance (PICG/ ‘the Institute’) was established in 2004 as a not-for-profit company registered under Section 42 of the Companies Ordinance, 1984 (now the *Companies Act, 2017*) with the aim of promoting good corporate governance practices within the corporate and business community in Pakistan. As an Institute for governance, PICG is actively engaged in advocating compliance and conformance by corporations to laws and regulations and promoting a conducive environment for stakeholders to exchange opinions, knowledge, and information on CG issues. PICG has also been advocating the need to uphold the protection of minority shareholders rights in Pakistan at various forums over the years.

PICG was assigned the task of conducting research by the Securities and Exchange Commission of Pakistan (SECP) as part of the Action Plan for implementation of Asian Development Banks (ADB) ‘*Capital Market Development Plan 2020-27*’, which aims to help Pakistan develop its capital markets, promote private investment, and mobilize domestic resources to finance sustainable growth. PICG, as part of this plan for promotion of the capital markets, was directed to assist in creating awareness on corporate affairs, specifically for minority shareholders. Consequently, this report was prepared and consolidated based on the extensive research conducted by the PICG Advisory and Research Team, comprising Ms. Rameen Talha Downeck, Mr. Ghazain Khan Magsi and Ms. Shafaq Fauzil Azim.

This report intends to assist shareholders in understanding the rights of minority shareholders and promote their active participation in decision-making processes to safeguard their interests. PICG hopes that this report will add value to shareholders knowledge, create awareness, and improve corporate governance in Pakistan as it is crucial to identify and address minority shareholder rights, not only because it is morally correct, but also beneficial for the companies.

Contents

Definitions	1
Shareholder Rights	2
Minority Shareholders Rights	3
Protection of Minority Shareholder Rights	4
Regulatory Practices.....	7
Annexure	9
Bibliography.....	19

This Report is intended to provide information on various practices being adopted in different jurisdictions on shareholders' rights and serve as a guide to companies on good practices that may be adopted by them. It is not intended to be a substitute for legal advice. Shareholders should always seek the advice of a legal professional if they have any questions about their rights or the law. In case of any conflict, the requirements of the relevant laws and directives shall prevail. Please note that all provisions mentioned in this document are based on information gathered up until December 31, 2023.

Definitions

A Shareholder is an individual, organization, or entity that owns one or more shares or stocks in a company.

Majority Shareholder: According to Section 2(xxxi) of the Securities Act 2015, majority shareholder means a 'shareholder who holds, owns or control, directly or indirectly, more than fifty percent of the shares having voting rights in a company or who, for other reasons, has domination or control of the company and includes a group of shareholders who collectively own more than fifty percent of shares or otherwise have that domination or control.

Substantial Shareholder: As defined in Section 2(7)(d) of the Companies Act, 2017, substantial shareholder, in relation to a company, means a person who has an interest in shares of a Company,

(a) the nominal value of which is equal to or more than ten per cent of the issued share capital of the Company; or

(b) which enables the person to exercise or control the exercise of ten per cent or more of the voting power at a general meeting of the company.

Major Shareholder: As provided in explanation to Section 166(2)(c) of the Companies Act, 2017, major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company.

Minority Shareholder: Section 301(m)(Explanation-II) of the Companies Act, 2017, states "Minority members" means members together holding not less than ten percent of the equity share capital of the company.

Countries that offer a legal framework to protect minority shareholders tend to have more robust markets because investors are more willing to take risks.

Shareholder Rights

Shareholder rights encompass the privileges granted to shareholders based on their ownership of shares in a company. The SECP Act, 1997, along with the Companies Act, 2017 and other applicable administered laws provide necessary minority shareholding protections, however, as is the case globally as well, these rights correspond to the extent of the shares held by the holder and thus are often referred to as non-controlling interests.

As per the guidelines provided by the SECP, some of the common shareholder rights include:¹

1. The right to actively participate and cast votes in general meetings.
2. The right to elect and remove directors.
3. The right to contest for election to the board of directors.
4. The right to appoint auditors (other than first auditors) and determine their remuneration.
5. The right to receive various periodic reports (e.g., financial, auditors', directors', and chairman' reports etc.).
6. The right to access specific company information.
7. The right to receive notice of a general meeting along with requisite information under the statement of material facts.
8. The right to receive dividends, as decided by the board.
9. The right to be offered additional shares during future share issuances.
10. The right to claim residual assets during company liquidation.

Understanding and safeguarding these shareholder rights is crucial for ensuring fair and transparent corporate governance practices.

¹ Listed and Unlisted Companies Shareholders <https://jamapunji.pk/knowledge-center/listed-and-unlisted-companies-shareholders>

Minority Shareholders Rights

Understanding and acknowledging a minority shareholder's right is one thing, but application of the 'right' is a much more tedious and complicated process. The following guidelines have been compiled to encourage communication and practicality of the issues that are being faced by the Minority Shareholders:

Transparency, Communication and Awareness

Minority shareholders are better protected in economies promoting transparency through the disclosure of corporate information. Without access to documentary evidence, minority investors may find it difficult to ascertain how directors have been managing the company's affairs, therefore, major corporate decisions should require shareholder's approval to prevent dissipation and/or mismanagement of assets.

Timely and transparent communication of material matters by companies either by way of their annual report, website, or other publications etc., help to build and maintain trust of key stakeholders. Investors can monitor the activities of companies and assess the performance of their management when provided with reliable information on company dealings and they are entitled to receive accurate, effective, and sufficient information which would lead to financial stability, reduction of fraud and manipulation and better company governance in general.

The most effective way to create awareness is through institutional bodies who should regularly share resources and information on the rights of minority shareholders. However, companies should also ensure that a mechanism for dissemination of necessary information is established, and that the board of directors is provided with suitable knowledge to achieve fair practice in this regard.

Similarly, all shareholders (both minority and majority shareholders) should be kept informed about the company's affairs. If a minority shareholder lacks certain educational skills, assistance from within the company should be provided and consideration to the language of communication should also be given (i.e., English, Urdu, and native languages).

Inspection

As required under the Companies Act 2017, a register containing information on Directors and Officers is required to be maintained and shall be open to the inspection of any member of the Company. Further, books containing the minutes of proceedings of the general meetings shall be open to inspection by members.

Any member shall at any time, after seven days from a general meeting, be entitled to be furnished with a certified copy of the minutes of any general meeting within seven days after he has made a request to the Company, at such charge not exceeding the amount as may be fixed by the Company.

(Refer to the annexure for further details).

Protection of Minority Shareholder Rights

Articles of Association

As allowed under the respective laws applicable globally, the Company may consider including certain reserved items or significant decisions in the Articles of Association, that the Company feels should be approved by the shareholders (as per majority required in the respective legal frameworks), such as:

- changes in the Company's articles of association.
- changes in the share capital of the Company (including the grant by the Company of any share options or convertible securities).
- any significant change in the nature of the Company's business.
- the Company incurring capital expenditure or contract commitments more than pre-agreed financial limits or not specifically contemplated by an agreed budget.
- borrowing by the Company which would cause a pre-agreed borrowing limit to be exceeded.
- major business acquisitions or disposals by the Company.
- dividend distribution below an agreed minimum level (if allowed).
- appointment and dismissal of executive directors or other key personnel and directors (including approval of long-term service contracts or material variations to their remuneration or benefits).
- material dealings by the Company with its intellectual property.
- dealings between the Company and any of its shareholders (except, perhaps, arm's length dealings in the ordinary course of business).
- voluntary winding-up.

Other possible protection mechanisms for minority shareholders, which may be stipulated in the Articles of Association, include:

- disallowing the conducting of any directors' meeting without attendance by representatives of each of the shareholders.
- abstinence from voting by a director should any conflicts of interest arise.
- setting the number of board seats each shareholder group is entitled to get.

Shareholders' Agreement

As minority shareholders' rights under the company's articles of association are usually not very elaborate, shareholders may consider entering into a 'Shareholders Agreement', which is one of the strongest forms of legal protection for a minority shareholder. It allows a minority shareholder to incorporate express contractual provisions above and beyond those afforded by statute and corporate law, however, should not contradict the provisions of any law in the respective jurisdiction within which the company operates.

A well-drafted Shareholders Agreement should allow the minority shareholder to:

- participate in oversight through board representation.
- be involved in any major decisions (including a right of veto if possible/agreed between the parties).
- protect itself and the company against dilution by the majority shareholder or being improperly diluted.
- a fair and proper distribution of profits
- access to information about the company's affairs by obtaining a right of inspection.
- exit the joint venture through tag-along² and drag-along rights³.

If the holding company is a shell company⁴, one may also seek to have a parental guarantee by the ultimate parent of each party to the Shareholders' agreement.

Pre-emption Rights

Guaranteeing pre-emption rights provides minority shareholders with a fair opportunity to maintain or increase their ownership stake, preventing dilution of their ownership and influence. This empowers them to actively participate in decision-making processes, which is crucial given their limited influence within the company. In addition to protecting minority shareholder interests, pre-emption rights promote stability within the ownership structure and grant minority shareholders a voice in major corporate decisions. Overall, these rights foster an environment where minority shareholders have confidence in the company's financial reliability, ownership stability, and their ability to contribute to the company's success while safeguarding their interests.

Protection during Acquisitions and Takeovers

Protecting minority shareholders is especially important during acquisitions and takeovers. The SECP's Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, upholds the principles of fairness and equality, ensuring that all shareholders, including minority shareholders, are treated equitably regardless of their stake in the company. Shareholders of the same class should also be subject to similar treatment. It is imperative that those exercising control do so in good faith, prioritizing the interests of minority or non-controlling shareholders and refraining from any oppressive

² Tag-along rights also referred to as "co-sale rights", are contractual obligations used to protect a minority shareholder, usually in a venture capital deal. If a majority shareholder sells his stake, it gives the minority shareholder the right to join the transaction and sell their minority stake in the company.

³ A drag-along right is a provision or clause in an agreement that enables a majority shareholder to force a minority shareholder to join in the sale of a company.

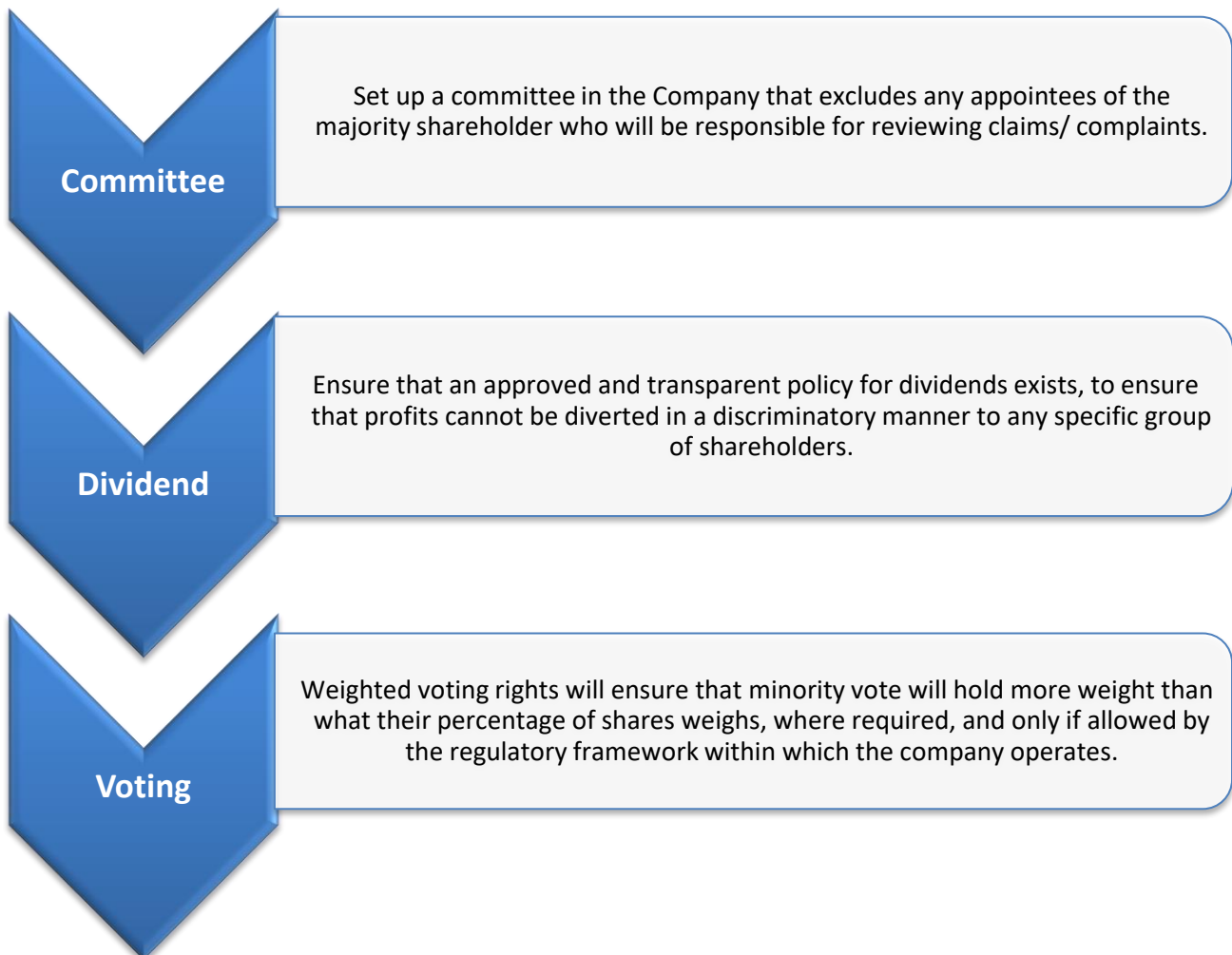
⁴ A shell corporation is a corporation without active business operations or significant assets. Generally, they are used to obtain financing, maintain control over a conglomerate company, allow firms more favorable tax treatment, and occasionally facilitate money laundering as well as other illegal activities. These types of corporations are not all necessarily illegal, but they are sometimes used illegitimately, such as to disguise business ownership from law enforcement or the public.

practices. This commitment to safeguarding minority shareholder rights is essential for fostering transparency, trust, and a level playing field during acquisitions and takeovers.

Pakistan has made progress in regulatory reforms, but there is still room for improvement to align with international standards. By ensuring that minority shareholders truly enjoy equal standing within corporations, we can create a more just and equitable investment climate.

Other methods

The following practices may also be adopted to facilitate Companies in protecting minority shareholder rights:



Regulatory Practices

The most effective way to ensure the application of minority shareholder rights is through law or regulation. An official statement gives credibility to exercise certain practices. It is important to note that all countries approach the concept of protecting minority shareholders differently.

Local

The existing laws in Pakistan pertaining to minority shareholders are limited and somewhat scattered. The Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019, however, require disclosure of certain information to enable minority shareholders to make informed decisions.

The Code of Corporate Governance requires listed companies to facilitate minority shareholders to contest elections to the board of directors by proxy solicitation. To this end, companies must provide minority shareholders with a statement from a candidate who seeks to contest the election, including a profile of the candidate. Companies must also provide minority shareholders with information about the members and shareholding structure of the Company. Finally, companies must provide minority shareholders with an additional copy of the proxy form if they request it, at the Company's expense. This provision is designed to ensure that minority shareholders have a fair opportunity to contest elections to the board of directors and to represent their interests.

Additionally, recent amendments in the Companies (Postal Ballot) Regulations, 2018, provide shareholders with the option of e-voting in company elections, ensuring transparency and encouraging participation in director elections and special business matters for listed companies.

(Refer to the annexure for further details).

International

For guidance purposes, companies may also refer to various international practices as given below:

Country	Minority Shareholder Rights
India	The Companies Act, 2013, regulated by the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI), provides: Right to appoint Small Shareholder Directors, Right to apply to National Company Law Tribunal (NCLT) for Oppression and Mismanagement, Right to file a Class Action Suit, Right for Reconstruction and Amalgamation of Companies, Adoption of Fair Valuation Mechanism, E-voting Process.
Singapore	Securities Investors Association (Singapore) sets out the following rights in the Companies Act for minority shareholders: Right to attend and vote at general meetings, Right to vote on resolutions to pay a dividend and to elect (as well as remove) the Company's directors, Right to initiate an oppression action in their own names to protect themselves from unfair prejudice by majority shareholders.
Malaysia	The Companies Act, 2016 established by the Companies Commission of Malaysia state: Right to participate and vote at Company meetings on matters such as the election of directors, amendments of articles of associations (particularly when an insider has an interest in the sale of Company assets or there is a merger and acquisition deal), Right to invoke legal remedies under Section 181 or Section 218 of the Companies Act.

The following table represents how minority shareholder rights vary in certain countries depending on the percentage of shares/voting rights the shareholder has in the Company:

Country	Minority Shareholder Rights	
UK	The Companies Act (2006) is the primary legislation used for determining and regulating shareholders' rights across England and Wales. The following rights are covered:	
	Shareholding %	Rights
	5% shareholding	Right to apply to court to prevent the conversion of a public company into a private company, Right to call a general meeting, Right to require the circulation of a written resolution to shareholders (in private companies), Right to require the passing of a resolution at an annual general meeting (AGM) of a public company.
	10% shareholding	Right to call for a poll vote on a resolution.
	15% shareholding	Right to apply to the court to cancel a variation of class rights.
	More than 25% shareholding	Right to prevent the passing of a special resolution.
China	The Company Law of the People's Republic of China states the following rights of shareholders:	
	Shareholding %	Rights
	Shareholders individually or jointly holding 10% or more of the voting rights [in respect of a Limited Liability Company (LLC) or shares, in respect of a company limited by shares (CLS)]	Right to call an interim shareholders' meeting.
	Shareholders of a CLS holding 3% or more of the Company's shares	Right to submit an interim proposal to the board of directors ten days prior to the date of the shareholders' general meeting.
	Shareholders who hold 1% or more shares of a listed Company	Right to nominate a candidate as an independent director of the Company.
Australia	The Corporations Act 2001 includes the following rights for shareholders:	
	Shareholding %	Rights
	Shareholders with at least 25% of the Company's voting rights	Right to block special resolutions on certain significant decisions, including (but not limited to) decisions relating to the variation or cancellation of rights attached to classes of shares, amendments to the Company's constitution, selective share buybacks and selective capital reductions.
	Shareholders with at least 10% of the Company's voting rights	Right to prevent the compulsory acquisition of the securities in both the context of a takeover and more generally.
	Minority shareholders with at least 5% of the votes	Right to convene a meeting at their own expense.

Annexure

The table represents the various shareholders rights and responsibilities laid out in the various regulations in Pakistan.

Rights of Shareholders'	Responsibilities	Reference of Law
Right to receive 'price sensitive' information by the listed companies	<p>96(1)- A listed company shall disclose to the public forthwith any price sensitive information relating to the company or its subsidiaries which as come to the company's knowledge and which would be material to an investor's investment decision, including information that-</p> <p>a) is necessary to enable the public to appraise the position of the company and its subsidiaries;</p> <p>b) is necessary to avoid the creation or continuation of a false market in the securities of the company (false market being defined as an uninformed market or one which is based on incomplete information); or</p> <p>c) might reasonably be expected to materially affect the market activity and the price of its securities.</p> <p>(2) A listed company shall ensure that, when disclosing information pursuant to clauses (a) to (c) of sub-section (1), the means it uses for disseminating information are such that it equally, timely and effectively provides access to such information by the holders of the securities of the company and investors.</p> <p>(3) A listed company meets the requirements of sub-section (1) when information that affects the market or a sector of the market generally is made public in a manner that would be likely to bring it to the attention of persons who commonly invest in securities of a kind who price or value might be affected by the information.</p> <p>Rule 5.6.1 (a)- Every Listed Company shall immediately disseminate to the Commission and the Exchange all price-sensitive information relating to the business and other affairs of the listed company that may affect the market price of its shares in the manner prescribed by the Exchange from time to time. The said information shall be communicated to the Exchange prior to its release to any other person or print / electronic media.</p>	<p>Section 96 of the Securities Act, 2015.</p> <p>Rule 5.6 of PSX Rule Book.</p>
To receive Share Certificates (when allotted)	Every company shall issue certificates of shares or other securities within thirty days after the allotment of any of its shares or other securities and ensure delivery of the certificates to the person entitled thereto at his registered address.	Section 71(1) of the Companies Act, 2017.
To receive Duplicate Share Certificates	If there is no reasonable ground to refuse the application after making such inquiry, a duplicate of a certificate of shares, or other securities, shall be issued by the company within thirty days from the date of application.	Section 73 of the Companies Act, 2017.
To transfer his/her Share	<p>A shareholder has a right to transfer his shares to any other person at any time, subject to completing the formalities for transfer.</p> <p>If a shareholder applies for a transfer of shares, the directors may not refuse the transfer without any reasonable ground. And transfer within fifteen days (In case of physical transfer) and within ten days (In case of physical to book-entry form) to a central depository.</p>	Section 74 of the Companies Act, 2017.

	The shareholders have also been provided a right to make an appeal to the Commission against refusal for registration of transfer of shares by the Company within sixty days of the date of refusal.	Section 80 of the Companies Act, 2017.
To receive offer for purchase of Shares	<p>A member of a private company desirous of selling any shares held by him shall intimate to the board of his intention through a notice.</p> <p>On receipt of such notice, the board shall, within a period of ten days, offer those shares for sale to the members in proportion to their existing shareholding:</p> <p>Provided that a private company may transfer or sell its shares in accordance with its articles of association and agreement among the shareholders, if any, entered into prior to the commencement of this Act:</p> <p>Provided further that any such agreement will be valid only if it is filed with the registrar within ninety days of the commencement of this Act.</p>	Section 76 of the Companies Act, 2017.
Further Issue of Shares by the Company	<p>A shareholder has the first right to subscribe to the shares (right issue) issued by the company. Whenever a company raises further capital for business expansion, the company may first offer new shares to the existing shareholders. If the existing shareholders choose not to subscribe to those new shares, then the company can offer those shares to outsiders (right of first refusal). The existing shareholders are entitled to new shares in proportion to their existing shareholding.</p> <p>A company may also offer shares to any other person after approval of shareholders through special resolution and the requirements as provided in section 83 of the Companies Act, 2017 and relevant regulations such as Companies (Further Issue of Shares) Regulations, 2020</p>	Section 83 of the Companies Act, 2017. and Companies (Further Issue of Shares) Regulations, 2020.
Dividends and distribution	<p>Shareholders have a right to share the earnings/profit of the company. This profit distribution is known as a dividend which may vary from time to time based on the performance of the company during an accounting period. However, the dividend is equally distributed on a per-share basis to each shareholder. However, if you have preference shares, you may be entitled to a fixed dividend, as per agreed terms and on priority.</p> <p>The board of directors recommends the dividend and presents the proposal in the general meeting. The shareholders in their meeting may approve or decrease the payout but cannot increase the payout beyond the recommendation of the board.</p> <p>Once a dividend is declared, the company cannot withhold it and it must distribute it as per the following amendments through S.R.O. 1302 (I)/2021:</p> <p>(i) In case of final dividend, it shall be paid within ten working days from the date of its declaration.</p> <p>(ii) In case of interim dividend and book closure is announced, it shall be paid within ten working days from the start of the book closure announced for determination of dividend entitlement and period of book closure shall not exceed three working days; and</p> <p>(iii) In case of interim dividend without announcement of book closure, it shall be paid within ten working days from the date of its declaration.</p>	Section 242, 243 of the Companies Act, 2017. S.R.O. 1302 (I)/2021 – Sep 30, 2021.

<p>Inspection Rights (Inspection of certain information)</p>	<p>Every company is bound to allow the (shareholders/members inspection of the registers, indexes, and other records subject to the conditions as provided in various provisions of the Companies Act, 2017.</p> <p>A shareholder may request inspection or a copy of the record by filing an application and the company must allow inspection and provide a copy of the record under the relevant sections of Companies Act, 2017.</p> <p>Some of the key documents which are allowed for inspection are:</p> <ul style="list-style-type: none"> ✓ Register of members ✓ Index of members ✓ Register of debenture holders ✓ Index of debenture holders ✓ Register of charges and mortgages ✓ Register of directors and other officers ✓ Register of transfers of shares ✓ Contract of employment with directors ✓ Books containing the minutes of proceedings of the general meetings ✓ Contracts entered into by a company for the appointment of a chief executive, whole-time director or secretary ✓ Copies of the Financial Statements and the auditor’s report ✓ Copies of Memorandum and Articles of the Company 	<p>Companies Act, 2017, under the following Sections:</p> <ul style="list-style-type: none"> ✓ Section 119 & 124 ✓ Section 120 & 124 ✓ Section 122 & 124 ✓ Section 123 & 124 ✓ Section 112 & 124 ✓ Section 197 & 198 ✓ Section 74(4) ✓ Section 210(2) ✓ Section 152 ✓ Section 213(3) ✓ Section 235 ✓ Section 39
<p>Shareholders’ Right to Apply to Court for Rectification of Register of Members</p>	<p>If—</p> <p>(a) the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of members or register of debenture-holders of a company; or</p> <p>(b) default is made, or unnecessary delay takes place in entering on the register of members or register of debenture-holders the fact of the person having become or ceased to be a member or debenture holder; the person aggrieved, or any member or debenture-holder of the company, or the company, may apply to the Court for rectification of the register.</p>	<p>Section 126 of the Companies Act, 2017.</p>
<p>Shareholders to receive public offer by the acquirer</p>	<p>(117) The acquirer shall ensure that the offer letter is sent to all the shareholders of the target company whose names appear on the register of members of the company as on the date specified in the public announcement:</p> <p>Provided that where the public announcement is made pursuant to an agreement to acquire voting shares or control of the target company, the offer letter shall be sent to the shareholders other than the parties to the agreement. 11(2) On the forty fourth and forty fifth day of the public announcement of offer, the acquirer shall issue offer letters to the shareholders of the target company, the custodians of Global Depository Receipts or American Depository Receipts and the convertible security holders (where the period of conversion falls within the offer period).</p>	<p>Section 117 of Securities Act, 2015; and</p> <p>Regulation 11(2) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017</p>

Disclosures and Public Announcements	The securities exchange on being informed by the target company under sub regulation (1) shall make the information available on the same day to the shareholders of the target company and prospective investors by placing the information on its website, posting it on its notice board through notification on the automated information system and by making an announcement on the house of the securities exchange.	Regulation 5(3) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.
Shareholders' right to be treated justly	Equality of treatment - All shareholders of the target company are to be treated equally and all shareholders of the same class are to be treated similarly. Oppression of minority - Rights of control shall be exercised in good faith and the oppression of minority or non-controlling shareholders shall be unacceptable.	Regulations 28 and 29 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.
Approval Rights of Shareholders	The board of a company shall not except with the consent of the general meeting either specifically or by way of an authorization, do any of the following things, namely. — (a) sell, lease or otherwise dispose of the undertakings or a sizeable part thereof unless the main business of the company comprises of such selling or leasing; and Explanation.—For the purposes of this clause- (i) “undertaking” shall mean an undertaking in which the investment of the company exceeds twenty percent of its net worth as per the audited financial statements of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year; (ii) the expression “sizeable part” in any financial year shall mean twenty five percent or more of the value of the assets in that class as per the audited financial statements of the preceding financial year; (b) sell or otherwise dispose of the subsidiary of the company; (c) remit, give any relief or give extension of time for the repayment of any debt outstanding against any person specified in sub-section (1) of section 182.	Section 183(3) of the Companies Act, 2017.
Right to alteration of articles	Subject to the provisions of this Act and to the conditions contained in its memorandum, a company may, by special resolution, alter its articles and any alteration so made shall be as valid as if originally contained in the articles and be subject in like manner to alteration by special resolution: Provided that, where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the members or of the class of members affected by such alteration, as the case may be, exercise the option through vote personally or through proxy vote for such alteration. (2) A copy of the articles of association as altered shall, within thirty days from the date of passing of the resolution, be filed by the company with the registrar and he shall register the same and thenceforth the articles so filed shall be the articles of the company.	Section 38 of the Companies Act, 2017.
Variation of shareholders' rights	(1) The variation of the rights of shareholders of any class shall be effected only in the manner laid down in section 38. (2) Not less than ten percent of the class of shareholders who are aggrieved by the variation of their rights under sub-section (1) may, within thirty days of the date of the resolution varying their rights, apply to the Court for an order cancelling the resolution:	Section 59 of the Companies Act, 2017.

	<p>Provided that the Court shall not pass such an order unless it is shown to its satisfaction that some facts which would have had a bearing on the decision of the shareholders were withheld by the company in getting the aforesaid resolution passed or, having regard to all the circumstances of the case, that the variation would unfairly prejudice the shareholders of the class represented by the applicant.</p> <p>(3) An application under sub-section (2) may be made on behalf of the shareholders entitled to make it by such one or more of their number as they may authorize in writing in this behalf.</p> <p>(4) The company shall, within fifteen days of the service on the company of any order made on any such application, forward a copy of the order to the registrar and, if default is made in complying with this provision, the person making the default shall be guilty of an offence under this section and be liable to a penalty not exceeding of level 1 on the standard scale.</p> <p>(5) The expression “variation” under this section includes abrogation, revocation, or enhancement.</p>	
<p>Right to receive notice of meeting, attending General Meetings, provisions as to meeting & votes and Demand of Poll</p>	<p>55. Service of notice on a member.—(1) A document or information may be served on a member at his registered address or, if he has no registered address in Pakistan, at the address supplied by him to the company for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.</p> <p>(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter will be delivered in the ordinary course of post.</p> <p>(3) A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.</p> <p>(4) A notice may, in the manner provided under sub-section (1), be given by the company to the person entitled to a share in consequence of death or insolvency of a member addressed to him by name or by the title or representatives of the deceased or assignees of the insolvent or by any like description, at the address supplied for the purpose by the person claiming to be so entitled.</p> <p>131(2) The notice of a statutory meeting shall be sent to the members at least twenty-one days before the date fixed for the meeting along-with a copy of statutory report.</p> <p>132(3) The notice of an annual general meeting shall be sent to the members and every person who is entitled to receive notice of general meetings at least twenty-one days before the date fixed for the meeting:</p> <p>Provided that in case of a listed company, such notice shall be sent to the Commission, in addition to its being dispatched in the normal course to members and the notice shall also be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation.</p>	<p>Sections 55(1)(2)(3)(4), 131(2), 132(3), 133(8), 134;</p> <p>(read with S.R.O. S.R.O. 423 (I)/2018 dated 3rd April, 2018) and 143 of the Companies Act, 2017;</p> <p>Regulations 4, 8 and 9 of the Companies (Postal Ballot) Regulations, 2018</p>

	<p>133(8) Notice of an extra-ordinary general meeting shall be served to the members in the manner provided for in section 55:</p> <p>Provided that in case of a company other than listed, if all the members entitled to attend and vote at any extraordinary general meeting so agree, a meeting may be held at a shorter notice.</p> <p>Each member is entitled to participate in a company's Annual General Meeting (AGM) or Extraordinary General Meeting (EOGM) and exercise their voting rights on all resolutions proposed for the approval of the members.</p> <p>A member has the option to attend the meeting in one of the following ways:</p> <ul style="list-style-type: none"> - In person; - Through a proxy; or - Via a video link, if provided. <p>Furthermore, members are permitted to cast their votes on any resolution.</p> <p>4(1) Responsibility of company (1) The right of vote through postal ballot shall be provided to members of every company, subject to the requirements of sections 143 and 144 of the Act.</p> <p>The right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for all businesses classified as special business under the Act and in case of election of directors, if the number of persons who offer themselves to be elected is more than the number of directors fixed under sub-section (1) of section 159 of the Act.]</p> <p>134 Provisions as to meetings and votes (1) The following provisions shall apply to the general meetings of a company or meetings of a class of members of the company, namely:</p> <p>(a) notice of the meeting specifying the place and the day and hour of the meeting alongwith a statement of the business to be transacted at the meeting shall be given—</p> <p>(i) to every member or class of the members of the company as the case may be; (ii) to every director; (iii) to any person who is entitled to a share in consequence of the death or bankruptcy of a member, if the company has been notified of his entitlement; (iv) to the auditors of the company; in the manner in which notices are required to be served by section 55, but the accidental omission to give notice to, or the non-receipt of notice by, any member shall not invalidate the proceedings at any meeting;</p> <p>(b) in case of a listed company, if certain members who hold ten percent of the total paid up capital or such other percentage as may be specified, reside in a city, it shall be mentioned in the notice that such members, may demand the company to provide them the facility of video-link for attending the meeting.</p> <p>(2) For the purposes of sub-section (1), in the case of an annual general meeting, all the businesses to be transacted shall be deemed special, other than-</p> <p>(a) the consideration of financial statements and the reports of the board and auditors; (b) the declaration of any dividend; (c) the election and</p>	
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	<p>appointment of directors in place of those retiring; and (d) the appointment of the auditors and fixation of their remuneration.</p> <p>(3) Where any special business is to be transacted at a general meeting, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning such business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and, where any item of business consists of the according of an approval to any document by the meeting, the time when and the place where the document may be inspected, shall be specified in the statement.</p> <p>(Above sub-section 3 of section 134 further defined in S.R.O. 423 (I)/2018 dated 3rd April, 2018 for disclosure of material facts statement applicable on the Companies)</p> <p>143 Demand for poll—(1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person or through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.</p> <p>(2) The demand for a poll may be withdrawn at any time by the members who made the demand.</p>	
Right to call Extra Ordinary General Meeting	<p>(3) The board shall, at the requisition made by the members—</p> <p>(a) in case of a company having share capital, representing not less than one-tenth of the total voting power as on the date of deposit of requisition; and</p> <p>(b) in case of a company not having share capital, not less than one tenth of the total members;</p> <p>forthwith proceed to call an extra-ordinary general meeting.</p> <p>(4) The requisition shall state the objects of the meeting, be signed by the requisitionists and deposited at the registered office of the company.</p> <p>(5) If the board does not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitionists, may themselves call the meeting, but in either case any meeting so called shall be held within ninety days from the date of the deposit of the requisition.</p>	Sections 133(3)(4)(5) of the Companies Act, 2017.
Right to Appoint Proxies for attendance and voting in the meeting	<p>(1) A member of a company entitled to attend and vote at a meeting of the company may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote at a meeting:</p> <p>Provided that—</p> <p>(a) unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital;</p> <p>(b) a member shall not be entitled to appoint more than one proxy to attend any one meeting;</p>	Section 137 of the Companies Act, 2017.

	<p>(c) if any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the company, all such instruments of proxy shall be rendered invalid; and</p> <p>(d) a proxy must be a member unless the articles of the company permit appointment of a non-member as proxy.</p> <p>(2) Subject to the provisions of sub-section (1), every notice of a meeting of a company shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and every such notice shall be accompanied by a proxy form.</p> <p>(3) The instrument appointing a proxy shall—</p> <p>(a) be in writing; and</p> <p>(b) be signed by the appointer or his attorney duly authorised in writing, or if the appointer is a body corporate, be signed by an officer or an attorney duly authorised by it.</p> <p>(4) An instrument appointing a proxy, if in the form set out in Regulation 43 of Table A in the First Schedule shall not be questioned on the ground that it fails to comply with any special requirements specified for such instruments by the articles.</p> <p>(5) The proxies must be lodged with the company not later than forty-eight hours before the time for holding a meeting and any provision to the contrary in the company's articles shall be void.</p> <p>(6) In calculating the period mentioned in sub-section (5), no account shall be taken of any part of the day that is not a working day.</p> <p>(7) The members or their proxies shall be entitled to do any or all the following things in a general meeting, namely—</p> <p>(a) subject to the provisions of section 143, demand a poll on any question; and</p> <p>(b) on a question before the meeting in which poll is demanded, to abstain from voting or not to exercise their full voting rights; and any provision to the contrary in the articles shall be void.</p> <p>(8) Every member entitled to vote at a meeting of the company shall be entitled to inspect during the business hours of the company all proxies lodged with the company.</p> <p>(9) The provisions of this section shall apply mutatis mutandis to the meeting of a particular class of members as they apply to a general meeting of all the members.</p>	
Right to Vote	No member holding shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him.	Section 134(7) of the Companies Act 2017.
Right to Apply to the Commission to Call Overdue General Meetings	If default is made in holding the statutory meeting, annual general meeting or any extraordinary general meeting in accordance with sections 131, 132 or 133, as the case may be, the Commission may, notwithstanding anything contained in this Act or in the articles of the company, either of its own motion or on the application of any director or member of the company, call, or direct the calling of, the said meeting of the company in such manner as the Commission may think fit, and give	Section 147 of the Companies Act, 2017.

	<p>such ancillary or consequential directions as the Commission thinks expedient in relation to the calling, holding and conducting of the meeting and preparation of any document required with respect to the meeting.</p> <p>Explanation.—The directions that may be given under sub-section (1) may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.</p>	
Right to contest for the election of Directors	<p>Any member who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of the meeting at which elections are to be held, a notice of his intention to offer himself for election as a director:</p> <p>Provided that any such person may, at any time before the holding of election, withdraw such notice.</p>	Section 159(3) of the Companies Act, 2017.
Right to Apply to Court to Declare the Proceedings of a General Meeting as Invalid	<p>The Court may, on a petition, by members having not less than ten percent of the voting power in the company, that the proceedings of a general meeting be declared invalid by reason of a material defect or omission in the notice or irregularity in the proceedings of the meeting, which prevented members from using effectively their rights, declare such proceedings or part thereof invalid and direct holding of a fresh general meeting:</p> <p>Provided that the petition shall be made within thirty days of the impugned meeting.</p>	Section 136 of the Companies Act, 2017.
Right to Apply to Court to Declare the Election of Directors as Invalid	<p>The Court may, on the application of members holding ten percent of the voting power in the company, made within thirty days of the date of election, declare election of all directors or any one or more of them invalid if it is satisfied that there has been material irregularity in the holding of the elections and matters incidental or relating thereto.</p>	Section 160 of the Companies Act, 2017.
Right to appoint Auditors and fix their remuneration	<p>246(1) The first auditor or auditors of a company shall be appointed by the board within ninety days of the date of incorporation of the company; and the auditor or auditors so appointed shall retire on the conclusion of the first annual general meeting.</p> <p>(2) Subject to the provisions of sub-section (3), the subsequent auditor or auditors shall be appointed by the company in the annual general meeting on the recommendation of the board after obtaining consent of the proposed auditors, a notice shall be given to the members with the notice of general meeting. The auditor or auditors so appointed shall retire on the conclusion of the next annual general meeting.</p> <p>(3) A member or members having not less than ten percent shareholding of the company shall also be entitled to propose any auditor or auditors for appointment whose consent has been obtained by him and a notice in this regard has been given to the company not less than seven days before the date of the annual general meeting. The company shall forthwith send a copy of such notice to the retiring auditor and shall also be posted on its website.</p> <p>(8) The remuneration of the auditors of a company shall be fixed—</p> <p>(a) by the company in the general meeting;</p> <p>(b) by the board or by the Commission, if the auditors are appointed by the board or the Commission, as the case may be.</p>	Section 246(1)(2)(3)(8) of the Companies Act, 2017.

<p>Right to Give Notice of a Resolution to be Considered in the general meeting.</p>	<p>The members having not less than five percent voting power in the company may give notice of a resolution and such resolution together with the supporting statement, if any, which they propose to be considered at the meeting, shall be forwarded so as to reach the company—</p> <p>(a) in the case of a meeting requisitioned by the members, together with the requisition for the meeting;</p> <p>(b) in any other case, at least ten days before the meeting; and the company shall forthwith circulate such resolution to all the members.</p>	<p>Section 140 of the Companies Act, 2017.</p>
<p>Right to receive special resolution</p>	<p>A copy of every special resolution shall be forwarded to any member at his request on payment of such fee not exceeding the amount as the company may determine.</p>	<p>Section 150(3) of the Companies Act, 2017.</p>
<p>Right to Apply for Investigation into the Affairs of the Company</p>	<p>Where the Commission is of the opinion, that it is necessary to investigate into the affairs of a company—</p> <p>(a) on the application of the members holding not less than one tenth of the total voting power in a company having share capital;</p> <p>(b) on the application of not less than one tenth of the total members of a company not having share capital;</p> <p>(c) on the receipt of a report under sub-section (5) of section 221 or on the report by the registrar under sub-section (6) of section 254.</p> <p>It may order an investigation into the affairs of the company and appoint one or more persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Commission may direct:</p>	<p>Section 256 of the Companies Act, 2017.</p>
<p>Right to file a Petition to Court Complaining Oppression and Mismanagement</p>	<p>If any member or members holding not less than ten percent of the issued share capital of a company, or a creditor or creditors having interest equivalent in amount to not less than ten percent of the paid up capital of the company, complains, or complain, or the Commission or registrar is of the opinion, that the affairs of the company are being conducted, or are likely to be conducted, in an unlawful or fraudulent manner, or in a manner not provided for in its memorandum, or in a manner oppressive to the members or any of the members or the creditors or any of the creditors or are being conducted in a manner that is unfairly prejudicial to the public interest, such member or members or, the creditor or creditors, as the case may be, the Commission or registrar may make an application to the Court by petition for an order under this section.</p>	<p>Section 286 of the Companies Act, 2017.</p>
<p>Right to Residual Assets at the Time of Winding Up</p>	<p>In the event of a company undergoing the process of winding up, shareholders retain the entitlement to receive the remaining assets of the company. During the winding-up procedure, the company's assets are sold off, and all outstanding liabilities are settled. After the discharge of the company's liabilities, the remaining assets are distributed among the shareholders in proportion to their respective shareholdings in the company.</p>	<p>Section 293 of the Companies Act, 2017.</p>

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