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# Singapore Companies Act: enhancing shareholder rights

**By Natalie Goh**

The *Singapore Companies Act* (the Act) is currently being reviewed to improve corporate governance to protect investors and shareholders. Three specific areas in the Act have been targeted for amendment:

(i) appointing multiple proxies to attend shareholder meetings;
(ii) enhancing Central Provident Fund (CPF) share investor rights; and
(iii) improving the protection of minority shareholders.

**The appointment of multiple proxies to attend shareholder meetings**

Article 181 (1) (c) of the Act provides that "a member shall not be entitled to appoint more than 2 proxies to attend and vote at the same meeting". The review proposes to allow more than two proxies to attend general meetings of a company, to ensure wider shareholder representation.

**Enhance CPF share investor rights**

Persons who invest in shares through the CPF Investment Scheme have their shares held in the name of CPF agent banks and are not registered directly as shareholders of the companies they invest in. Thus, despite fully bearing the investment risks, these investors are not allowed to participate in shareholders' meetings. The proposed amendments are to allow such persons to have shareholder rights, including the right to attend annual general meetings.

**Improve the protection of minority shareholders**

Amendments are proposed to allow a minority shareholder who had opposed fundamental changes to the company structure or alteration of shareholder rights to require the company to buy their shares at a fair value.

The Act came into effect on 29 December 1967, and was last reviewed in 2005. In October 2007, the Minister for Finance appointed a Steering Committee to review the Act to build on an efficient and transparent corporate regulatory framework that supports Singapore's growth as a global hub for businesses and investors.

In its review, the Steering Committee studied the experiences of other jurisdictions such as Hong Kong and New Zealand.

The Steering Committee is cognizant of the practical concern of maintaining reasonable compliance costs on companies. According to Attorney-General Professor Walter Woon, chairperson of the Steering Committee, "We are not going to change things just so that people can say we've done something new. We are obviously very concerned of not increasing the compliance cost on companies, so we hope to streamline where we can streamline and throw out some of the bits that are no longer relevant, [and] amalgamate sections."

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The proposed amendments to the Act demonstrate Singapore's commitment to improving corporate governance through fair treatment of shareholders, both big and small. These proposed amendments have already attracted comments. In particular, the minority rights buyout proposal has attracted the most attention, with concerns ranging from difficulties in defining what constitutes a fair value of the share price for a buyout, to the implications of allowing minority shareholders to "demand" cash from the company.

We look forward to the draft Bill and public consultation paper which is expected to be issued in the first half of this year, and which should give a better picture as to how these proposed amendments to the Act will impact businesses in Singapore.

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