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TO

Make provision for each public company to establish a shareholders' committee; to make provision about the membership, functions and operation of the committee; and for connected purposes.

**B**E IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

**1 Establishment of a shareholders' committee**

- (1) The Companies Act 2006 (c. 46) shall be amended as follows.
- (2) After Part 10 insert —

**“PART 10A****SHAREHOLDERS' COMMITTEE**

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**259A Shareholders' Committee**

- (1) Every public company shall, at each general meeting of the company at which accounts are laid in accordance with section 437 (public companies: laying of accounts and reports before general meeting), appoint a Shareholders' Committee (to be known as a “Shareholders' Committee”) of not more than six and not fewer than three persons to hold office until the conclusion of the next general meeting at which the requirements of section 437 are complied with, unless the private shareholders vote at the general meeting not to have such a committee appointed until the next such meeting. 10
- (2) The Shareholders' Committee shall be constituted subject to the provisions of this section in accordance with Schedule 5A of this Act. 15
- (3) The function of the committee is to encourage and enable regular, systematic and, where necessary, urgent communication and consultation on a confidential basis between the directors and the members of the company on matters of concern to them as members. 20

- (4) The Shareholders' Committee shall be elected as to secure adequate and independent representation for members generally and for private shareholders in particular, and the members of the committee shall be nominated for election and elected solely by other private shareholders and not by the directors, or by persons on their behalf or connected with them. 5
- (5) Elections under subsection (4) shall be held in accordance with any guidance that the Secretary of State may issue.
- (6) For the purposes of this section "private shareholder" means a shareholder who is the beneficial owner of the shares registered in his name, and this shall be taken to include investors whose shares are held by another person on their behalf, and any member who holds shares on behalf of another person shall, on the request of that person, confirm to the company the beneficial interest of that person in writing. 10
- (7) The directors shall nominate a director or directors to attend but not vote at meetings of the Shareholders' Committee. 15
- (8) The director or directors nominated under subsection (7) shall, as soon as practicable, transmit reports (including minority reports) prepared by or on behalf of the Shareholders' Committee, to the directors.
- (9) The auditors, accountant, the secretary (or where applicable, joint secretaries) and the solicitor to the company, individually or jointly, shall forthwith refer to the Shareholders' Committee any matter of which they became aware in that capacity which is a breach, or a wilfully intended breach, of the criminal law, of obligations under legislation, including this Act, or of fiduciary relationships owed to the company or to its members being a matter of concern to members of the company as members. 20  
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- (10) The company shall make available to the Shareholders' Committee the means to communicate with shareholders on relevant matters with the same regularity and on the same basis as the directors. 30
- (11) The company shall provide, upon request by the Shareholders' Committee, its company secretary, or a suitably qualified substitute, to act as secretary to the committee.
- (12) The company shall the cost of reasonable administrative expenses incurred by the Shareholders' Committee." 35
- (3) In section 416 (contents of directors' report: general) after subsection (3) insert—
- “(4) The report must include reference to matters arising from time to time in and in connection with the Shareholders' Committee.”
- (4) After Schedule 5 insert the following Schedule— 40

“SCHEDULE 5A

PROCEEDINGS OF SHAREHOLDERS' COMMITTEE

- 1 The committee shall meet at such times as it may from time to time appoint and, failing such appointment, at least once a quarter; and

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- any member of the committee may also call a meeting of the committee as and when he thinks necessary.
- 2 The committee may act by a majority of its members present at a meeting, but shall not act unless a majority of the committee are present and the committee shall elect a chairman from among its members. 5
- 3 A member of the committee may resign by notice in writing signed by him and delivered to the secretary of the company.
- 4 If a member of the committee becomes bankrupt or compounds or arranges with his creditors or is absent from five consecutive meetings of the committee without leave of the committee his office thereupon becomes vacant. 10
- 5 (1) On a vacancy occurring in the committee the secretary of the company shall forthwith summon a meeting of the committee to fill the vacancy; and the meeting may, by resolution, appoint another member to fill the vacancy until the next meeting under section 259A(1). 15
- (2) The continuing members of the committee, if not fewer than two, may act notwithstanding any vacancy in the committee.”
- 2 Citation and commencement** 20
- (1) This Act may be cited as the Protection of Shareholders Act 2009.
- (2) This Act shall come into force six months after the date on which it is passed.

# Protection of Shareholders Bill

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*Presented by Mr William Cash  
supported by Mr Frank Field.*

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*Ordered, by The House of Commons,  
to be Printed, 17 March 2009.*

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