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United Arab Emirates
Shareholder Activism

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This country-specific Q&A provides an overview of shareholder activism laws and regulations applicable in United Arab Emirates.

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United Arab Emirates: Shareholder Activism

1. What are the principal sources of laws and regulations relating to shareholder rights and activism?

The principal sources and bodies are Federal Decree-Law No. 32 of 2021 on Commercial Companies, as amended ("UAE CCL"), the Capital Market Authority ("CMA") corporate governance rules for public joint stock companies, the CMA rules on acquisitions, mergers and takeovers of listed public joint stock companies and any sector or regulator specific rules that apply to the relevant company. Insider trading and market abuse rules apply to activist activity, and activists should avoid dealing, disclosing or coordinating based on inside information or other non-public price sensitive information. These sources of laws and regulations are subject to regular updates that should be factored into any assessment.

2. How is shareholder activism viewed in your jurisdiction by regulators, shareholders and the media?

Shareholder activism in the UAE is generally viewed as a developing but legitimate feature of corporate governance. Regulators such as the CMA have promoted transparency, accountability and shareholder participation, particularly for listed companies, while institutional shareholders are more likely than retail investors to use tools such as proxy voting and direct engagement with management. Retail activism is less developed, although awareness of shareholder rights is increasing.

3. How common are activist campaigns and what forms do they take? Is activism more prevalent in certain industries?

Activist campaigns are still uncommon in the UAE when compared with more mature markets. Where activism arises, it is more likely to take the form of private engagement with the board or management, proxy voting, requests for information, requisitions for shareholder meetings, voting against resolutions or litigation or applications for injunctive relief. There is no clear indication that activism is concentrated in a particular industry, although listed and regulated businesses are more likely to attract attention because the governance and disclosure framework gives shareholders clearer channels for engagement.

4. How common is it for shareholders to bring litigation against a company and/or its directors and what form does this take?

Shareholder litigation is not extremely common in the UAE, but it can arise where shareholders allege mismanagement, breach of fiduciary duty, denial of shareholder rights or non-compliance with corporate governance requirements. Claims may take the form of derivative style proceedings brought for the company's benefit, personal claims for deprivation of rights such as voting or dividends or applications for injunctive relief to restrain corporate action considered prejudicial to minority shareholders.

5. What rights do shareholders/activists have to access the register of members?

Shareholders have rights under the UAE CCL, and typically under the company's constitutional documents, to inspect the register of members and to obtain copies, subject to submitting an appropriate request and stating the purpose for which the information is sought. For joint stock companies, shareholders also have access rights to company books, documents and certain related-party transaction materials in accordance with the UAE CCL, CMA governance rules and the company's constitutional documents. In an activism context, access to the register may assist shareholders in communicating with other shareholders and seeking support for governance initiatives.

6. What rights do shareholders have to requisition a shareholder meeting or table a resolutions in connection with a meeting? Who is responsible for the costs involved?

For an LLC, the manager must invite the general assembly to convene at the request of one or more shareholders holding at least 10% of the company's capital, and shareholders may request that specific agenda items be considered. For a joint stock company, shareholders holding at least 10% of the capital may request an extraordinary general meeting for a special resolution through the CMA, and each shareholder has the right to discuss agenda items. The company will typically bear the ordinary costs of convening and administering a validly called meeting, while requisitioning shareholders should expect to bear their own advisory, solicitation and campaign costs unless the company's constitutional documents or an agreement provide otherwise.

7. What rights do shareholders have to circulate statements to shareholders in connection with a meeting? Who is responsible for the costs involved?

The UAE CCL and CMA governance framework require shareholders to receive information needed to make informed decisions, including annual financial statements, reports and meeting materials relating to resolutions to be discussed. Companies are also encouraged to maintain effective communication channels with shareholders, including through websites and official announcements. The company would ordinarily bear the cost of statutory reporting and meeting communications, while any additional campaign materials prepared by an activist shareholder would generally be for that shareholder's account unless otherwise agreed or required by the company's constitutional documents.

8. What percentage of share capital is needed to appoint or remove a director? What is the process?

For public joint stock companies, directors are appointed by shareholders in general assembly in accordance with the UAE CCL, CMA governance rules and the company's constitutional documents, and removal is generally a shareholder matter requiring the applicable majority at a properly convened general assembly. For LLCs and private companies, the appointment and removal process is primarily governed by the UAE CCL and the constitutional documents. In practice, an activist's ability to appoint or remove directors depends on the voting threshold for the relevant resolution, the meeting quorum and the level of support secured from other shareholders.

9. What percentage of share capital is needed to block a shareholder resolution?

The percentage needed to block a shareholder resolution depends on whether the matter requires an ordinary or special resolution and on any higher threshold in the UAE CCL or the company's constitutional documents. As a general matter, ordinary resolutions may be blocked by shareholders holding enough votes to prevent a simple majority from being achieved, while special resolutions typically require a higher approval threshold and can therefore be blocked by a smaller minority. The quorum position is also relevant: Unless the UAE CCL or the company's constitutional documents require a higher threshold, a general assembly meeting is not valid unless attended by shareholders holding at least 50% of the company's capital.

10. Do holders of other instruments have any of the above rights?

Other financial instruments do not generally give its holders the same governance and participation rights as registered shareholders. The position may differ if the instrument's contractual terms confer specific economic or information rights, but statutory shareholder rights ordinarily require duly registered ownership of shares in the relevant company.

11. Is stamp duty payable on share acquisitions and can this be avoided/mitigated?

Stamp duty is not typically payable on share acquisitions in the UAE, although notarisation, registration or transfer fees may apply depending on the company type and the relevant authority.

12. To what level can you acquire shares without having to disclose your position?

The disclosure position depends on the type of company and whether it is listed. For listed public joint stock companies, CMA and exchange disclosure rules apply to significant shareholdings and changes in ownership, with thresholds commonly arising at 5% or 10% depending on the context. For private companies, disclosure is more likely to arise through the company's register, licensing authority filings and ultimate beneficial ownership rules. Under the UAE UBO regime, natural persons who ultimately own or control 25% or more of a company's capital or voting rights, directly or indirectly, must generally be identified and disclosed to the relevant registrar.

13. Is the disclosure threshold different if the

issuer is subject to a takeover offer?

Where an issuer is subject to a takeover offer, the disclosure obligations are likely to be more intensive. The offeror is generally required to disclose information about the terms of the offer, the reasons for the offer and the potential impact on existing shareholders, and both the offeror and the listed target company may have disclosure obligations that go beyond those applying in the ordinary course. The purpose of these obligations is to ensure that shareholders and the market receive timely information relevant to their investment decisions.

14. Are there any rules which restrict the extent to which you can build a position?

Position building may be restricted by CMA and exchange disclosure rules, insider trading and market abuse rules, foreign ownership limits, sector specific approvals, the company's constitutional documents and, for listed public joint stock companies, the CMA acquisition and takeover regime. In particular, acquiring control may trigger mandatory offer consequences, and dealing while in possession of inside information or coordinating with others in a way that constitutes acting in concert may create additional regulatory consequences.

15. Are there circumstances in which a mandatory takeover is required?

The CMA acquisition and takeover rules for listed public joint stock companies contemplate mandatory acquisition consequences where an acquirer reaches or exceeds the relevant control threshold, including the requirement to make an offer to purchase the remaining shares, failing which shares above the threshold may lose voting rights. A further mandatory purchase consequence may arise where an acquirer reaches 90% plus one security of the voting shares and minority shareholders holding at least 3% require their shares to be purchased in accordance with CMA requirements.

16. Does collective shareholder action or 'acting in concert' have any consequences?

Collective shareholder action or acting in concert can have consequences under UAE rules, particularly for disclosure and mandatory offer purposes. Acting in concert may arise where two or more shareholders coordinate their voting, acquisitions, disposals or broader strategy with the objective of influencing the company or obtaining control. Where such coordination affects voting power or control, the parties should assess whether disclosure, takeover or other regulatory consequences are triggered.

17. Do the same rules and thresholds apply to other financial instruments?

The rules and thresholds that apply to shares or securities do not automatically apply in the same way to other financial instruments. Each instrument must be analysed by reference to its own terms and the applicable regulatory framework, including whether it gives the holder economic exposure only or rights that may be treated as relevant for disclosure, control or market conduct purposes.

18. If an activist makes a takeover offer, what impact might any prior share purchases have on the minimum offer price or the form of consideration that must be offered?

Prior share purchases may affect both the minimum offer price and the required form of consideration. In a takeover bid, the minimum offer price is typically determined by reference to the highest price paid by the bidder for shares of the target during the relevant look-back period, including the six months preceding the offer announcement. If the activist acquired shares during that period at a higher price, the offer price may need to reflect that price, and prior purchases may also influence whether a cash alternative or other form of consideration is required.

19. What measures are available to companies to protect against an activist campaign?

Steps include maintaining regular shareholder engagement, ensuring that the board understands likely activist concerns, addressing governance or performance issues before they become campaign issues, communicating clearly on strategy and corporate responsibility initiatives, maintaining effective shareholder feedback channels and responding promptly to misinformation or public criticism. Any defensive response should be consistent with directors' duties, market disclosure obligations and equal treatment of shareholders.

20. Which director duties are particularly relevant in the context of an activist campaign?

Directors owe duties to the company and its shareholders, including (without limitation) duties of care and diligence and fiduciary duties. Directors may be liable for negligence, error, fraud, abuse of power, conflicts of interest or actions that breach UAE law or the company's constitutional documents. In an activist campaign, these duties are particularly important because directors must consider activist demands objectively, avoid entrenchment or improper defensive action, maintain transparency and balance the interests of the company and shareholders as a whole.

21. What rights does a company have to require parties to disclose details of their interests (direct and indirect) in the company's share capital?

A company's rights to require disclosure of direct and indirect interests derive from the UAE CCL, CMA rules, UBO requirements, any applicable sector regulator rules and the company's own constitutional documents and internal policies. These rules may require shareholders or beneficial owners to disclose shareholdings, changes in shareholding and ultimate beneficial ownership information to the company and/or the relevant registrar or regulator. Companies may also adopt internal policies requiring additional information, provided those policies are consistent with applicable law and the company's constitutional documents.

22. Are there restrictions on companies selectively disclosing inside information to activists?

Companies should not disclose inside information to activists unless disclosure is permitted by applicable law and appropriate confidentiality and market conduct controls are in place. CMA rules prohibit dealing on the basis of unpublished information and exploiting inside information in market transactions. Companies should therefore apply a fair disclosure approach and ensure that any information shared privately does not undermine market integrity or equal access to material information.

23. Are settlement agreements between a company and an activist permitted in your jurisdiction?

Settlement agreements between a company and an activist shareholder are generally permitted in the UAE and may be an effective way to resolve disputes without litigation, proxy contests or prolonged public campaigns. The agreement should comply with UAE law, the company's constitutional documents and any applicable regulatory requirements. Regulatory approval or notification may be needed where the settlement has implications for listed shareholders, market disclosure, control, governance rights or regulated activities.

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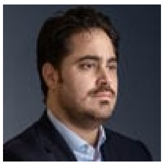

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