

In response to the coronavirus disease 2019 (COVID-19) outbreak, the Czech Republic has introduced a number of temporary changes to the existing corporate governance rules to help overcome some of the practical issues arising from the emergency measures adopted in the Czech Republic. These changes form part of a broader legislative effort to fight the effects of COVID-19 and are set forth in a newly adopted Act on Mitigation of the Impact of Coronavirus SARS CoV-2 Epidemic (Lex COVID-19)*, which came into effect on 24 April 2020.

These changes will apply only for the duration of the Czech COVID-19 emergency measures, which make it impossible or substantially more difficult to hold corporate body meetings, but no longer than until 31 December 2020, unless specified otherwise.

Below is a brief overview of the key changes to the corporate governance rules introduced by Lex COVID-19, and how these apply to Czech corporate entities.

1. Remote Decision-making of Corporate Bodies

Corporate bodies may adopt resolutions outside their meetings either in writing (*per rollam*) or via technical means (e.g. via telephone conference) even if the constitutional documents of the company (e.g. the articles of association) do not allow it.

The procedural rules for adopting resolutions outside the standard meeting shall be determined by the company's statutory body in the case of a supreme corporate body (e.g. for general meetings), and in the case of other corporate bodies, by the respective body itself, unless such rules are set forth in the applicable law or the company's constitutional documents.

2. Office Term of a Member of an Appointed Corporate Body

If the office term of a member of an appointed corporate body (e.g. an executive director or a board member) expires after the effective date of Lex COVID-19 or within a month of the end of the emergency measures, such office shall be automatically extended until the end of the third month following the end of the emergency measures. The automatic expansion shall not apply if the respective member whose office would otherwise be extended in this way notifies the company of his/her disagreement with such extension before the office term expiration.

3. Renewal of an Office of a Member of an Appointed Corporate Body

If the office term of a member of an appointed corporate body expires between the date of the adoption of the emergency measures and the effective date of Lex COVID-19, his/her office shall be renewed provided that the member agrees with the renewal and if no other member has been elected, appointed or otherwise nominated in his/her place in the meantime. The office term of the member shall be renewed from the date of the delivery of consent by the respective member to the company until the end of the third month following the end of the emergency measures.

4. Co-optation of an Appointed Member of a Corporate Body

Unless the number of members of a corporate body falls below one-half, the remaining members of such body shall have the right to appoint substitute members even if the company's constitutional documents do not allow it. The substitute members shall stay in their office until the next meeting of the corporate body, which has the right to appoint members of the corporate body with substitute members.

5. Approval of Financial Statements

If the statutory deadline for approval of the ordinary financial statements of a limited liability company, joint-stock company or cooperative is to expire within three months of the end of the emergency measures, the deadline shall be extended to expire at the end of the third month following the end of the emergency measures, but no later than 31 December 2020.

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*Act No. 191/2020 Coll., on some measures for the mitigation of the impact of the SARS CoV-2 coronavirus epidemics on the court proceedings participants, injured, victims of criminal acts and legal entities and on the change of the insolvency act and the code of civil procedure.