

RANDA HAVEL ■ LEGAL

Lex Covid Act – Impact on Bodies of Legal Entities

The Czech Parliament adopted an Act which is also known as „Lex Covid“. This Act is intended to solve the practical problems arising out of pandemic disease Covid-19 in the area of court proceedings, insolvency as well as functioning of legal entities. The purpose of this newsletter is to present the content of the Act relating to the functioning of legal entities.

Decision-making of legal entities' bodies outside the physical meeting

The essential change being brought by Lex Covid is the extension of the regulation for decision-making bodies of legal entities outside their personal meeting – either in written form (per rollam) or by using technical means. The body of a legal entity may now decide even if the foundation legal act (particularly the Articles of Association or Memorandum of Association) does not permit such procedure. This option applies not only to the General Meetings, but also, for example, to the meetings of the Board of Directors or the Supervisory Board.

Therefore, Lex Covid in fact temporarily supplements (for the duration of the emergency measure) the Articles of Association or Memorandums of Association by allowing flexible actions to be taken by the bodies of legal entities in case this option has not been allowed in these documents yet. This should be very beneficial e. g. for joint-stock companies which are not obligated to hold general meetings with large number of people under difficult conditions, but instead the general meeting's decisions may be taken in the form of per rollam.

Extension of the term of office of a body member

The extension of the term of office brought by Lex Covid relates to those members of elected bodies whose term of office would expire during the effectiveness of the emergency measure or within 1 month from the day following the date of its expiration. In that case, the term of office shall be extended until the lapse of three months following the end of the emergency measure. Automatic extension can be prevented by a member of the elected body delivering his disagreement to the legal entity before the expiry of the term of office.

Lex Covid also lays down the conditions for the resumption of the office if such term of office has expired between the adoption of the emergency measure and the date on which Lex Covid comes into force. The resumption of the function of a member of the body shall take place only if the member delivers his consent and if no other member has been elected in the meantime. The term of office shall expire 3 months after the day following the date of termination of the emergency measure.

Lex Covid allows, under specified conditions, the co-optation of members of the legal entity's body, even if this possibility is not allowed within the foundation legal act. The co-optation represents a way in which the missing members of a particular body are elected by that body itself, with the effect until the next meeting of the body which is otherwise authorised to elect those members.

Deadlines for discussion the ordinary financial statements

Lex Covid also solves the practical problem residing in the obligation of general meetings of most companies to discuss the financial statements by the end of June. In this context, Lex Covid extends the deadline for discussing the ordinary financial statements of a private limited liability company, a joint-stock company or a cooperative – so that in case this deadline should expire earlier than 3 months after the date of termination of the emergency measure, it will expire up to 3 months after the termination of the emergency measure, but no later than on 31 December 2020. In fact, the companies are given more time to discuss the financial statements.

The above options are, of course, temporary and last during the emergency measures related to the Covid-19 epidemic.

In case of any questions regarding the functioning of legal entities, and not only during the state of emergency, please contact Mgr. Michal Pálinskás at Michal.Palinkas@randalegal.com.