

Insights

UK COVID-19: DRAFT BILL ON AGMS

21 May 2020

The government has published the Corporate Insolvency and Governance Bill (the 'Bill') which contains draft legislation on how companies can hold their 2020 AGM in light of the pandemic. Once implemented, these measures will apply retrospectively from 26 March 2020. The second reading of the Bill is expected to take place on 3 June 2020. This briefing explores the options available for companies.

Companies who have not held their 2020 AGM have the choice of:

- Postponing the meeting provided that it is held before 30 September.
 - This applies to companies who are required to hold their AGM between 26 March and 30 September 2020. If this option is chosen, companies should review the authorities obtained at the 2019 AGM to check when they expire. It may not be possible to postpone the meeting if the authorities need to be refreshed.
 - It is worth noting that if the legislation has not come into force by the time a company is required to send out the AGM notice, the meeting should still be called, even if it is likely to be delayed once legally possible. Shareholders should be kept informed of a company's plans. So for example, if the company intends to postpone its AGM to a date before 30 September once the legislation is approved (i.e. between the calling and holding of the meeting), shareholders should be informed of this; or
- Holding a 'closed' AGM with the minimum number of people present to form a quorum either by telephone or other electronic means.
 - This would remove the requirement to hold a physical meeting with a quorum present. Shareholders do not have the right to attend the meeting in person or to participate other than by voting. Companies retain the discretion to allow shareholders to participate virtually if this is feasible.
 - Companies can still choose to hold a physical 'closed meeting', as is the current market practice since the Government 'stay at home' measures were introduced, with the minimum number present to form a quorum.

- Companies should make reasonable efforts to provide the usual degree of engagement with shareholders ie. consider the use of conference calls, video calls, and allow shareholders to email questions in advance of the meeting etc. Shareholders should be encouraged to vote by proxy and to appoint the chair of the meeting as their proxy so he/she can exercise all proxy votes submitted. Companies may wish to consider holding shareholder days later in the year, once the current social distancing requirements have been lifted.

The temporary provisions for postponing and holding the AGM by electronic means, discussed above, will apply regardless of existing legal and constitutional requirements for meetings.

To ensure that companies benefit from these provisions, the government proposes to apply the provisions to AGMs and other meetings before the Bill comes into force. However, there is a very small risk that if the legislation is not passed, meetings held under these new measures may not be treated as validly convened. We would be happy to discuss these concerns with you.

Other points to note

- In March 2020, the Government announced that UK companies can apply to Companies House for a three month extension for filing their accounts. Demand for this flexibility during the current period has substantially increased, with over 40,000 applications for extended accounts filing deadlines submitted in March and the first half of April 2020 compared to an average of 19 per day in March 2019. The Bill formally extends the period for public companies to file accounts with the Registrar of Companies. For example, a company with a 31 December year end must currently file its accounts by 1 June 2020. Under the temporary relaxations, this will be extended to 30 September 2020. Listed companies (i.e. Main Market companies whose home state is the UK) must however publish their annual accounts within six months of the financial year end (temporarily extended from 4 to 6 months by the FCA).
- The same flexibilities provided above for AGMs will apply to other general meetings and class meetings but not creditors' meetings.
- Companies may wish to consider reviewing their articles to allow for hybrid general meetings in the future i.e. electronic and physical meetings.
- If necessary, the government will extend the flexibilities beyond September.

[Draft Bill](#), [Explanatory Notes](#) and recent [BEIS](#) and [FRC FAQs](#) on the proposals.

RELATED PRACTICE AREAS

- M&A & Corporate Finance
- Securities & Corporate Governance

MEET THE TEAM



Adam Bogdanor

Co-Author, London

adam.bogdanor@bcplaw.com

[+44 \(0\) 20 3400 4808](tel:+442034004808)



Tessa Hastie

Co-Author, London

tessa.hastie@bcplaw.com

[+44 \(0\) 20 3400 4516](tel:+442034004516)

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be “Attorney Advertising” under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP’s principal office and Kathrine Dixon (kathrine.dixon@bcplaw.com) as the responsible attorney.