

Track Changes

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14 April 2020

HUNGARY INTRODUCES RELAXATION OF CORPORATE GOVERNANCE AND COMPLIANCE RULES

Developments related to COVID-19 are occurring rapidly. Wolf Theiss will continue to distribute regular Client Alerts via email and publish up-to-date analysis on our website. A list of daily updated resources can be found here:

https://www.wolftheiss.com/covid_19/

The Hungarian government introduced a relaxation of some corporate governance and compliance rules applicable to Hungarian registered legal entities. These regulations are in response to the difficulties currently being faced by management as well as shareholders of those entities due to the COVID-19 crisis. The most important relaxation measures, which can be deployed by management and shareholders, provided the state of emergency in Hungary prevents them from pursuing the ordinary course of operation, are outlined below:

1. In place of the shareholders' general meeting, the entity's management has authority to approve the 2019 annual report (which is due before the end of May 2020 under the general rules) as well as to take other measures in pressing matters, which otherwise fall under the authority of the shareholders, as necessary for maintaining the entity's lawful operation or for handling any COVID-19 related situation, unless the majority of shareholders holding a stake in excess of 25% in the entity have objected;
2. Any such measures taken by the management will remain effective for as long as 90 days after the end of the current state of emergency in Hungary, unless the shareholders subsequently approve or reinforce those measures in their decision rendered within the same 90-day period;
3. If the 2019 annual report must be audited and/or endorsed by the entity's supervisory board, the management can only approve it if such audit (without any reservations) and/or supervisory board endorsement is otherwise available. If not, the shareholders will have the same 90-day period post-emergency to convene and approve the 2019 annual report;

4. Management is required to keep shareholders informed of any measures taken by way of using electronic communication tools;
5. Unless the articles and/or by-laws already contain relevant regulations, shareholders, management as well as the supervisory board are each allowed to conduct their meetings respectively via electronic communication tools or in writing by way of circular voting. The new regulation provides detailed rules how to conduct any such online meetings or circular voting;
6. Any member of the management and/or the supervisory board, who resigns or whose term expires during the state of emergency, is mandatorily required to continue with performing his/her duties for 90 days after the end of the state of emergency in Hungary, unless the shareholders resolve otherwise; and
7. If any member of the management and/or the supervisory board is not able to perform his/her tasks because of the emergency situation (even if the number of the members in the relevant corporate body falls below the legal minimum) the remaining members are allowed to continue to have quorum for their relevant decision-making by majority voting. If circumstances so require (i.e., all other members of the body are unavailable) ultimately the last standing member is authorized to make management decisions alone.

Certain additional easings have been introduced in respect to Hungarian publicly listed companies.

Does your business need support in implementing a work from home policy? We are pleased to offer our online collaboration platform WT Space to support you during the current COVID-19 pandemic.

WT Space is a fully customizable, secure collaboration platform that requires no additional hardware or software. Whether you need to collaborate on documents, manage project tasks or communicate more efficiently, WT Space can help bring your team together. Please let us know if you have questions or wish to discuss pricing. space@wolftheiss.com

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For more information about our services, please contact:



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