

THE IMPACT OF COVID-19 ON CORPORATE RELATIONS

The coronavirus triggered numerous urgent changes to the legislation in many areas. The regulation of corporate relations is no exception, and, together with changes in the [tax legislation](#) and the [insolvency legislation](#) corporate relations are also undergoing changes due to the current circumstances. The restrictions that have been imposed and the general economic downturn have necessitated urgent changes in: (i) the procedure for holding general meetings; (ii) the filing and disclosure of financial statements; (iii) requirements on the net asset value of companies; and (iv) other general corporate requirements to be fulfilled in 2020.

SPECIFICS OF REGULATION OF CORPORATE RELATIONS IN 2020

In connection with the enactment of Federal Law No. 50-FZ¹ of 18 March 2020, as well as the passing of draft law² No. 771509-7³ (the "Law"), the following amendments are being made to Russia's corporate legislation:

- in 2020, annual general meetings of shareholders (participants) are required to be held not earlier than two months and not later than nine months after the end of the reporting (financial) year;
- in 2020, general meetings of shareholders can be held through absentee voting, even if the matters on its agenda include election of the company's board of directors (supervisory board) or audit commission, approval of the company's external auditors, or approval of the company's annual report or annual accounting (financial) statements;
- where the value of a company's net assets has fallen below its charter capital as of the end of 2020, this will not trigger the obligation to reduce its charter capital or liquidate the company; also, this information need not be included in a joint-stock company's annual report;

Key Points

- The timing and form of general meetings, and the time frames for submission of annual and interim consolidated financial statements in 2020 have been changed.
- The obligation that companies whose net assets have fallen in value below their charter capital as of end of 2020 must reduce their charter capital or liquidate has been cancelled.
- Up to the end of 2020 PJSCs can buy back their shares without having to comply with various requirements of the JSC Law, subject to certain conditions being met.
- The time frame for confirmation of PJSC status has been extended to 1 January 2021.

¹ Federal Law No. 50-FZ On Acquisition by the Government of the Russian Federation of Ordinary Shares of Public Joint-Stock Company Sberbank of Russia from the Central Bank of the Russian Federation and Declaring Inoperative Certain Provisions of Legislative Acts of the Russian Federation, dated 18 March 2020.

² The bill has now been passed in all three readings.

³ The Federal Law On Amendment of Certain Legislative Acts of the Russian Federation with Regard to Harmonisation of the Content of Annual Reports of State Corporations (Companies) and Public Companies and with Regard to Establishing Specifics of Regulation of Corporate Relations in 2020, and on Suspension of Provisions of Certain Legislative Acts of the Russian Federation.

- for joint-stock companies whose charter and corporate name indicate they are public but whose securities are not traded on the stock exchange, the time frame to confirm their status as a public joint-stock company has been extended until 1 January 2021;
- similarly, the time frame within which the board of directors of a public joint-stock company must form the audit committee and approve the company's internal documents defining the internal audit policy has been extended until 1 January 2021;
- up to the end of 2020 public joint-stock companies will be able to buy back through on-exchange trading shares that they placed earlier, without having to comply with various requirements established by the JSC Law, subject to certain conditions being met (including the weighted average price of the shares and the main stock market index having fallen in value by 20% or more during any three-month period starting from 1 March 2020 as compared to the last quarter of 2019) and having notified the Central Bank of Russia beforehand of their intention to buy back the shares;
- the time frames within which annual and interim consolidated financial statements are to be filed in 2020 have been changed:
 - in 2020, annual consolidated financial statements are to be submitted no later than 180 days after the end of the reporting year, and interim consolidated financial statements no later than 150 days after the end of the reporting period;
 - the annual consolidated financial statements or the annual financial statements of an issuer for 2019 together with the auditor's report are to be disclosed within three days after the date of the auditor's report, but not later than 210 days after the end of the reporting year.

The authors of this briefing and your other contacts at Clifford Chance would be happy to discuss the potential impact of the changes outlined above on your business.

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