Shareholder Resolutions

In this I article surrounding corporate governance, discusses shareholder resolutions.

The day to day management of a Company is carried out by the board of directors, who make decisions by passing director's resolutions. Under the Companies Act 2006, shareholder approval is also required for certain corporate action. Shareholder approval is sought via a shareholder resolution, either ordinary (more than 50% voting in favour) or special (75% voting in favour).

Corporate actions that require an ordinary shareholder resolution include:

- Approving the payment of a political donation.
- Approving a loan, long term service contract or a substantial property transaction involving a director.
- Approving a payment for loss of office to a director.
- Removing an auditor from office.
- Approving a liability limitation agreement between an auditor and the company.

Corporate actions that require a special shareholder resolution include:

- Amending the company's articles of association.
- Changing the company's name.
- Approving a reduction of capital or share buy-back out of capital.
- Dis-applying pre-emption rights.
- Re-registration of a private company as public (and vice versa).

These resolutions can be approved in a general shareholder's meeting or by way of written resolution. The only shareholder resolutions which require a shareholder meeting and cannot be passed via written resolution are the removal of a director or the removal of an auditor.

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