

Contracts of employment of directors — control by members over guaranteed periods of employment

249. (1) In this section “relevant term” means a term by which a director's employment with the company of which he or she is a director or, where he or she is the director of a holding company, his or her employment by any company comprised in the group, is to continue or may be continued, otherwise than at the instance of the company, for a period exceeding 5 years during which the employment—

(a) cannot be terminated by the company by the giving of notice, or

(b) can be so terminated only in specified circumstances.

(2) References in subsection (1) to employment being continued (or its potential to be continued) are references to its being continued (or its potential to be continued) whether under the original agreement concerned or under a new agreement entered into in pursuance of the original agreement concerned.

(3) A company shall not incorporate in any agreement a relevant term unless the term is first approved by a resolution of the company in general meeting and, in the case of a director of a holding company, by a resolution of that company in general meeting.

(4) A resolution of a company approving a relevant term shall not be passed at a general meeting of the company unless a written memorandum, setting out the proposed agreement incorporating the term, is available for inspection by members of the company both—

(a) at the registered office of the company for not less than the period of 15 days ending before the date of the meeting, and

(b) at the meeting itself.

(5) If it is proposed to use the means under section 193 or 194, in lieu of passing a resolution at a general meeting of the company, to approve a relevant term those means shall not be used unless a written memorandum setting out the proposed agreement incorporating the relevant term has been circulated to the members of the company (being those entitled to attend and vote at a general meeting of the company) with the proposal for the written resolution.

(6) A term incorporated in an agreement in contravention of this section shall, to the extent that it contravenes this section, be void and the agreement shall be deemed to contain a term entitling the company to terminate it at any time by the giving of reasonable notice.

(7) No approval is required to be given under this section by any body corporate unless it is a company formed and registered under this Act, an existing company or a wholly owned subsidiary of a body corporate.

(8) For the purposes of this section—

“employment” includes employment under a contract for services;

“group”, in relation to a director of a holding company, means the group which consists of that company and its subsidiaries.