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## Social Right of Company Director Under Georgian Law

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**Abstract:** The Law of Georgia on Entrepreneurs regulates the relationships between directors and business entities. However, the law only deals with commercial aspects of the relationship, and social rights such as a paid vacation, parental leave, and non-discrimination treatment are out of the legal arrangement. Consequently, one of the curtail issues in Georgian company law is the subject of whether directors of a company can exercise these aforementioned rights, and other basic social guarantees defined by the labor legislation and how EU law can influence Georgian corporate law relationships.

**Keywords:** *EU Law; Georgian company law; directors' rights on vacations; parental leave; discrimination.*

### I. INTRODUCTION

The arrangements of perfect legal settings for the regulation of duties and rights of a company's directors are the subject of corporate law. Accordingly, the basic commercial issues such as appointment, resignation, duties, and rights of business entities' directors (managers) are precisely regulated by the Georgian Law of Entrepreneurs. Under this law, it is directly stated that legal relationships between directors and company is a service relationship and respectively, it is a subject to service agreements that should be concluded between them.<sup>1</sup> Furthermore, the above-mentioned law also defined that the provision of labour legislation of Georgia will not apply to directors.<sup>2</sup>

In addition to this, the Law of Georgia on Entrepreneurs defines the essential conditions that compulsorily shall be included in a service contract concluded between a director and business entities.<sup>3</sup> However, this law is completely noiseless about directors's social rights, for instance, the right of vacation, right of maternity and paternity leave, right of sick pay are not defined by this law.

Thus, it can be a demanding issue in Georgian corporate law how social rights can be applied to directors of the business entities. This subject is of importance in light of EU law too, as Georgia signed an Association Treaty with the European Union in 2014<sup>4</sup> as well as Georgia was granted a membership candidacy status from the EU in 2023.<sup>5</sup> It has to be noted that there are some cases when the EU law approaches were broadly defined by the Court of Justice of the European Union (CJEU) and its application to some degree also extended to the relations of companies' directors.<sup>6</sup>

Accordingly, this article will discuss how directors' social rights can be effectively protected under the service contract and how EU law can influence Georgian corporate law practice.

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<sup>1</sup> Art.45.1, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>2</sup> Ibid.

<sup>3</sup> Art.45.3, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>4</sup> See Association Agreement Between the European Union and the European Atomic Energy Community and their Member States, of the One Part, and Georgia, of the Other Part, Concluded on 27/06/2014. Official Journal of the European Union, L 261, Volume 57, 30 August 2014.

<sup>5</sup> See <https://www.consilium.europa.eu/en/policies/enlargement/georgia/>, Accessed: 09.12.2024.

<sup>6</sup> See C-232/09, Dita Danosa v LKB Līzings SIA. See also Florian Jacoby, in: Reinhard Bork/Carsten Schäfer, GmbHG Kommentar zum GmbH-Gesetz 4. Auflage, Köln, 2019, p.787.

## II. LEGAL REGULATION OF DIRECTORS ACTIVITIES

### 1. General Concept

A director has significant functions in the corporate managerial structure of every business entity. Generally speaking, directors have a bunch of statutory and transactional duties and rights concerning the company, shareholders, and creditors.<sup>7</sup> Therefore, the creation of the perfect legal frame for regulating directors' activities is a primary subject of Georgian corporate law.

The Law of Georgia on Entrepreneurs mainly created standard duties for corporate directors, such as *duty of care* and *duty of loyalty* which are indicated in the different articles on the law.<sup>8</sup> The primary aims of such duties are the protection of the interests of corporations, shareholders, and in some cases creditors.<sup>9</sup> In addition to that, the aforementioned statutory duties can also be supplemented or extended by the internal corporate documentation, such as the statute of the corporation, shareholders' agreement, and service contract concluded between the director and company.

The Law of Georgia on Entrepreneurs precisely defines and regulates directors' statutory duties, but under the law, there are no provisions for the protection of directors' social and labor rights. Concerning these issues, it needs to be noted that the employment relationship between the director and corporation has specific legal and commercial character, and by the Law of Georgia Entrepreneurs, a company director who has managerial and representational power is not treated as a worker in line of the labor legislation of Georgia and respectively, the provisions of the Labor Code of Georgia and other labor legislation shall not apply to directors and company relationships.<sup>10</sup>

Under the Law of Georgia on Entrepreneurs, the appointment and resignation of company directors have special legal character and procedure. For instance, a director appointed by the shareholders' meeting or other authority corporate body, such as by the supervisory board depending on the corporate governance structure of the entity. The director can be dismissed at any time without reason or restriction.<sup>11</sup> A director's appointment and resignation is a corporate law act that requires registration in an entrepreneur registry.<sup>12</sup> Once registration is completed, a director will have full-fledged power to represent and manage the affairs of the company. After the accomplishment of registration directors fully enter into a legal employment relationship with the corporation and with directors, he/she can conclude a service contract that regulates working and other relationships between the director and the company. Therefore, in corporate internal structure, a service contract can be considered one of the perfectly legal ways to integrate issues of directors' social rights.

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<sup>7</sup> Martin Schulz, Oliver Wasmeier, *The Law of Business Organizations a Concise Overview of German Corporate Law*, Berlin Heidelberg, 2012, p.94.

<sup>8</sup> See Arts.50, 51, 53, 54, 208, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>9</sup> Martin Schulz, Oliver Wasmeier, *The Law of Business Organizations a Concise Overview of German Corporate Law*, Berlin Heidelberg, 2012, p.94.

<sup>10</sup> Art.45.1, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>11</sup> Art.44.3, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>12</sup> See Supreme Court of Georgia, Case No. AS-319-302-2017, par.1.9.1. See also Frank Dornseifer, Germany, in: Frank Dornseifer, *Corporate Business Forms in Europe A Compendium of Public and Private Limited Companies in Europe*, München, 2005, p.280. Giorgi Giguashvili, George Jugeli, *Explanations of Law of Georgia on Entrepreneurs*, Tbilisi (in Georgian), 2022, p.92.

## 2. Purpose and Structure of Service Contract

### 2.1. Essential Terms of the Contract

The service contract between a company and its director is a typical civil law transaction based on the general civil code's principles, such as private autonomy of the parties and freedom of contractual relationship which are stipulated by the Art. 319 of the Civil Code of Georgia.<sup>13</sup> The Law of Georgia on Entrepreneurs does not define whether a service contract must be in written or oral form concluded between the parties. Therefore, it should be assumed that a service contract can be concluded in any form.<sup>14</sup> If director without written contract factually begins activities, a verbal agreement is established. A service contract can be concluded in any language. The legal basis and minimum legal requirements regarding the service contract are defined by Art. 45 of the Law of Georgia on Entrepreneurs. According to Art. 45.2 of this law, the service contract with a company's director shall be established on behalf of the company, by the chairperson of the supervisory board or the chairperson of the general meeting of the company defined by the statute or elected by the general meeting which decided on the appointment of the person as a director.<sup>15</sup>

The Art. 45.3 of the Law of Georgia on Entrepreneurs defines the minimum legal conditions and requirements that a service contract shall cover. For instance, the service contract shall specify the amount, form, and cyclicity of the reimbursement and the privileges a director will be authorized to receive during the contract as well as the rights and duties of the company's director that will remain in force even after the expiration of this service contract.<sup>16</sup> However, if some of these conditions are not specified in the contract, this does not mean that the contract is void.<sup>17</sup> It is worth mentioning that in case a service contract does not contain provisions on the reimbursement of a company's director, it shall be deemed that the director is conducting his/her duties free of charge basis.<sup>18</sup> If a company and its director enter into an oral service contract, and the director performs its duties for remuneration. In that case, this arrangement must be explicitly documented in the minutes of the shareholders' meeting. Alternatively, an extract from a bank payment indicating that the director received remuneration for their services can serve as a decisive factor.

Art. 45.4 of the Law of Georgia on Entrepreneurs also contains special provisions for the termination of service contracts. For instance, except otherwise provided by a service contract, the director of the company shall have the right to retract a service contract and thereby terminate his/her position in a company in case the notification in writing form is sent at least one month in advance to the the responsible corporate body of the company, e.g., company's supervisory board, management body, or general meeting of the company, such meeting shall be convened by the director.<sup>19</sup> Following Art. 45.5 of the Law of Georgia on Entrepreneurs, there are also defined terms of cancelation of the service contract, e.g., the resignation of a director shall automatically result in the repudiation of the service contract concluded with the company, except otherwise provided for by the service contract.<sup>20</sup>

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<sup>13</sup> See Art. 319, Civil Code of Georgia, 26.06.1997. Supreme Court of Georgia, Case No. AS-319-302-2017, para 1.9.1. See also Nino Bakakuri, Martin Gelter, Lasha Tsertsvadze, George Jugeli, Corporate Law A Text Book for Lawyers, Tbilisi, (in Georgian) 2019, p.77.

<sup>14</sup> See Bert Tillmann/Randolf Mohr, GmbH-Geschäftsführer Rechts-und Steuerberatung Vertragsgestaltung, 11. neu bearbeitete Auflage Köln 2020, p.79. Nino Bakakuri, Martin Gelter, Lasha Tsertsvadze, George Jugeli, Corporate Law A Text Book for Lawyers, Tbilisi, (in Georgian) 2019, p.77.

<sup>15</sup> See Art. 45.2, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>16</sup> Art. 45.3, Law of Georgia on Entrepreneurs, 02/08/2021. See also Florian Jacoby, in: Reinhard Bork/Carsten Schäfer, GmbHG Kommentar zum GmbH-Gesetz 4. Auflage, Köln, 2019, p.785.

<sup>17</sup> Giorgi Giguashvili, George Jugeli, Explanations of Law of Georgia on Entrepreneurs, Tbilisi (in Georgian), 2022, p.93.

<sup>18</sup> Art. 45.3, Law of Georgia on Entrepreneurs, 02.08/2021.

<sup>19</sup> Art. 45.4, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>20</sup> Art. 45.5, Law of Georgia on Entrepreneurs, 02/08/2021.

A service contract may continue after a company director's resignation to maintain confidentiality insider information and regulate the director's compensation or pension issues.

## 2.2. Dispositive Terms of the Service Contract

In addition to the aforementioned compulsory legal provisions, parties to the service contract can stipulate any terms in the contract concerning directors' managerial activities, duties, rights, privileges, and social guarantees. Service contracts can regulate the allocation of bonus shares principles, remuneration of traveling expenses, setting up corporate insurance and pension systems, defining directors' compensation rules, etc. Therefore, parties can also negotiate under the service contract directors' social rights,<sup>21</sup> e.g., terms and conditions of the paid and unpaid vacations, directors' weekly working hours, working conditions and healthy working environment, rules and preconditions of maternity and paternity leaves, protection of pregnant directors, creation of the non-discriminatory policy and so on.<sup>22</sup> Hence, due to contractual freedom, parties can install similar clauses in service contracts as they are in the Labor Code of Georgia and other labor legislation.

However, the installation of the above-mentioned social legal provisions depends on the parties' bargaining possibilities and commercial powers inside the company; for instance, mostly candidacy of the director may get these rights within the service contractual agreements when he or she has demanding professional skills and vigorous practical experiences, or other professional values that give him more bargaining powers in service contractual negotiation than the company has.

In case the director is without outstanding professional skills and does not have the above-mentioned bargaining power in the negotiation process, such director will not be able to protect its rights and welfare and therefore it can result that right of vacation, terms of working hours, right of maternity leave, guarantees of pregnant directors, etc. being out from the contractual regulations.

Consequently, a service contract that is concluded between a director and a company cannot always be considered an effective legal instrument to protect the above-discussed social rights of the company's directors. On the one hand, the protection of directors' social rights depends on their bargaining powers during the negotiation process, while on the other hand, in ordinary situations stipulation of such rights in the service contract will be the discretion of the company.

## 3. Legal Regulation of Directors Social Right

### 3.1. Georgian Court Approach

Arrangement of the legal regulation between a director and corporation is not a newness in Georgian corporate law doctrine and court practice. The previous Law of Georgia on Entrepreneurs also had some points that after directors' appointment, they should have concluded a service contract.<sup>23</sup> However, this issue was vague, because the old law did not provide a full explanation of what the service contract was and what legal elements and terms this contract should have contained.

Concerning the aforementioned issues explanations were made by Georgian legal doctrine<sup>24</sup> and different court practices. Accordingly, in one of its decisions the Tbilisi Appeal Court has explained that the legal relationship between directors and companies has both the corporate law and

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<sup>21</sup> See Supreme Court of Georgia, Case No. AS-319-302-2017, para.1.9.3.

<sup>22</sup> See Heinz-Peter Verspay, GmbH-Handbuch für den Mittelstand, Berlin Heidelberg, 2009, p.53.

<sup>23</sup> See Arts. 6, 56, Law of Georgia on Entrepreneurs, 28/10/1994.

<sup>24</sup> See Lado Chanturia, Tevdore Ninidze, Comments to Law of Georgia on Entrepreneurs, Third Edition Tbilisi, (in Georgia) 2002, p.425. See also Nino Bakakuri, Martin Gelter, Lasha Tsertsvadze, George Jugeli, Corporate Law A Text Book for Lawyers, Tbilisi, (in Georgian) 2019, pp. 77-79.

the labor law elements.<sup>25</sup> Additionally, the Supreme Court of Georgia in one of its decisions has made an explanation that the appointment and resignation of managerial bodies (directors and supervisory board members) of the company are carried out by the legal provision of the Law of Georgia on Entrepreneurs and consequently such issues are not of subject Georgian Labor Code regulations.<sup>26</sup> In addition to that, the Supreme Court has explained that only these legal matters that are not regulated by the Law of Georgia on Entrepreneurs, the charter of the company, and the contract concluded between the director and company can be subject to the Georgian Labor Code regulations (such as the areas that are related to social guarantees, paid vacations and so on).<sup>27</sup>

Statutory regulations of directors' social rights within the corporate law are an essential and at the same time practical issue. To achieve this goal, German corporate law has significant approaches, Art. 38 of the German Limited Liability Act (GmbHG) provides that a director of the company may request its revocation due to the pregnancy fact, taking parental leave, caring for a family member, and illness. A director can make such a request if there is at least one appointed director in the company too. This director's revocation has temporary character and after expiring the revocation terms defined by the Art. 38.3, sub-paragraphs 1 and 2, directors shall be re-appointed again.<sup>28</sup>

As it has already been mentioned, these approaches of a court were related to the assessment of the old version of the Law of Georgia on Entrepreneurs which was canceled in 2021. So, based on court practice, it can be assumed that the legal relationship between the director and the company has a hybrid law nature. Accordingly, most of these relationships were subject to corporate law (Law of Georgia on Entrepreneurs) ruling and the provisions of the Labor Code of Georgia were not applied to these issues. While, some parts of relationships between the company and its directors, for example, social matters, social guarantees, and issues of paid vacation, etc. were subject to Labor Code.<sup>29</sup>

Currently, in practice, it is a very persuasive matter whether the aforementioned court approaches can be still valid and applied to the provision of the new version of the Law of Georgia on Entrepreneurs which was enacted in 2021. This new law directly stated that the legal regulations between the company and director are arranged by the service contract and this service contract is not subject to regulation by the Georgian labor legislation provisions.<sup>30</sup>

## 3.2. Impact of EU Law on the Corporate Law Relationships

### 3.2.1. Approaches of CJEU

The matters of the protection of the directors' social rights in business entities can also be a key subject in light of the EU law principles. Therefore, it is significant to review whether the EU law has supremacy over national corporate law regulations. Concerning this matter, one of the important cases of the CJEU is C-232/09, *Dita Danosa v LKB Līzings SIA*.<sup>31</sup> Under this case, the CJEU explained within the meaning of the Council Directive 92/85/EEC of 19 October 1992 following subjects: (1) whether the member of a capital company's Board of Directors is

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<sup>25</sup>Tbilisi Appeal Court, Case No. N2B/6571-14.

<sup>26</sup> Supreme Court of Georgia, Case No. AS 1634-1533-2012.

<sup>27</sup> Ibid.

<sup>28</sup> Holger Altmeppen, GmbHG, Gesetz betreffend die Gesellschaften mit beschränkter Haftung, Kommentar 11. Auflage, München 2023, pp.785, 805-806. See also Lutter/Hommelhoff, GmbH-Gesetz Kommentar 21 neu bearbeitete Auflage, Köln, 2023, p.993.

<sup>29</sup> See Supreme Court of Georgia, Case No. AS 1634-1533-2012.

Supreme Court of Georgia, Case No. AS-319-302-2017.

Supreme Court of Georgia, Case No. AS-142-2023.

<sup>30</sup> Art.45.1, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>31</sup> See CJEU Case C-232/09, *Dita Danosa v LKB Līzings SIA*.

considered as a 'worker', and, (2) whether member of a capital company's Board of Directors can be discharged without restriction, in particular without regard to the fact that this person is concerned pregnant.<sup>32</sup>

The main findings of the CJEU were:

1) Court stated that a Member of the Director board of a capital company who provides services to that company and who is an integral part of the company must be considered a worker with the meaning of Council Directive 92/85/ EEC of 19 October 1992; if directors' activity (a) is carried out for some times; (b) under the direction or supervision of another body of that company; (c) and if in return of those activities, the Board Member receives remuneration.<sup>33</sup> The court also stated that the assessment of those preconditions is the responsibility of the national court.<sup>34</sup>

2) Court admitted that the Council Directive 92/85/ EEC of 19 October 1992 is to be interpreted in such a way that to precluded national legislation which allows dismissal of the Director Member of a capital company without restriction when this person is considered to be a 'pregnant worker' and the decision of dismissal of such director was made on the ground of her pregnancy.<sup>35</sup> The court stated that even if a member of the Director is not a 'pregnant worker,' the fact of this person's dismissal on the pregnant ground can affect women, and thus it constitutes direct discrimination against the sex ground and contrary to the Council Directive 76/207/EEC of 9 February 1976.<sup>36</sup>

Subsequently, under this decision, CJEU has stated that provision of the EU law, especially the Council Directive 92/85/ EEC of 19 October 1992 and the Council Directive 76/207/EEC of 9 February 1976 can interfere with the internal corporate law relationship of member state countries to protect pregnant directors' right. To say in other words, by the court approaches it is required that the internal corporate law relationships in commercial companies shall be in line with the EU law provisions.

### 3.2.2. EU Law Influence in Georgia Corporate Practice

In the future it will be a very demanding topic in corporate law practice as to what extent the judgment of the CJEU on the Georgian corporate law relationship will be influenced. Now there is neither clear vision, nor Georgian court opinion regarding this matter and therefore can only be made a general assumption by reasoning judgment of the CJEU in connection with Georgian corporate law, i.e., the Law of Georgia on Entrepreneurs (enacted in 2021). So, as for the first part of the CJEU decision, whether under the EU law director can be considered a 'worker' in Georgian corporate law relationships, it is necessary to apply court findings to the relevant provisions of the Law of Georgia on Entrepreneurs and access every element of this law with conjunction of the CJEU decision. So, under Georgian law, a director of the company can be a natural or physical person,<sup>37</sup> the director of the company can be removed from its position at any time without substantial reason,<sup>38</sup> a director is appointed to the position by the shareholder meeting or supervisory board (in case of its existence)<sup>39</sup> after the appointment of a director, a company concludes a special service contract with a director. If there is no information about the remuneration of the director in a contract, it is deemed that the director performs their duty free of charge.<sup>40</sup> A director of a limited liability company, when

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<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Art.43.5, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>38</sup> Art.44.3, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>39</sup> Art.44.1, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>40</sup> Art.45.3, Law of Georgia on Entrepreneurs, 02/08/2021.

exercising managerial authority shall comply with the partners' decisions<sup>41</sup> (subordinative element). In addition to that, while performing managerial functions, a director of the joint-stock company shall coordinate its decisions with the supervisory board in case it is provided by the law or charter of the company.<sup>42</sup> Additionally, the director of joining a joint-stock company shall comply with the decisions of the shareholders' meeting and supervisory board of the company (so there is also a subordinative element like in a LLC).<sup>43</sup>

The CJEU provided three elements in its decision:<sup>44</sup> (a) a director shall carry out the activity; (b) under the direction or supervision of another body of company; (c) getting remuneration for its activity. Owing to, the above-mentioned Georgian internal corporate law principles formally fully meet requirements defined by CJEU, therefore, it can be supposed that the Georgian legal model of the corporate law relationship between a director and a company falls under the ruling of the CJEU. The influence of EU law requires a reassessment of the fundamental principles of corporate law.

Concerning the second finding of the CJEU, it can be said that if the director of the company is dismissed under Georgian law only on the grounds of her pregnancy, this case will also fall under the ruling of the CJEU because it should be considered a discrimination on the sex ground not only with the EU law but direct discrimination is also prohibited by the Georgian internal legislation.<sup>45</sup> For instance, there is the special law of Georgia on the Elimination of All Forms of Discrimination enacted in 2014 which states that provisions and requirements of this law shall be applied to public institutions, natural and legal persons in all fields, only if such actions are not subject of regulations, other legislation which are in conformity with the provision of this anti-discrimination law.<sup>46</sup>

In addition to that, it should be noted that the Supreme Court of Georgia in one of its decisions has pointed out that although the relationship between a director and a company is regulated by the corporate law and service contract and thus provisions of labor law do not apply to these relationships, non-discrimination and some minimal social law requirements from labor legislation and international treaty - European Social Charter, in some extent should still apply to these relationships.<sup>47</sup> In addition to that, according to the court's opinion, the discriminatory removal of a director by a company will be deemed void under Article 54 of the Georgian Civil Code.<sup>48</sup>

Removal of a pregnant director of a company should not be considered discrimination when the ground for removal has other reasons, such as loss of trust, lack of professional skills, and other commercial circumstances that are not related to pregnancy issues.<sup>49</sup> In case of litigation, under Georgian law the burden of proof of this issue is on the company's side since it is an anti-discrimination suit.<sup>50</sup> Concerning this issue, an interesting practice was developed by German legal doctrine that encourages shareholders of GmbH to justify the removal of pregnant directors

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<sup>41</sup> Art.124.2, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>42</sup> Art.203.2, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>43</sup> Art.203.3, Law of Georgia on Entrepreneurs, 02/08/2021.

<sup>44</sup> CJEU Case C-232/09, *Dita Danosa v LKB Līzings SIA*.

<sup>45</sup> See Law of Georgia on the Elimination of All Forms of Discrimination, 02/05/2014.

<sup>46</sup> Art. 3., Law of Georgia on the Elimination of All Forms of Discrimination, 02/05/2014.

<sup>47</sup> Supreme Court of Georgia, Case No. AS-319-302-2017, paras. 1.9.2., 1.9.3.

<sup>48</sup> *Ibid* paras. 1.9.2.

<sup>49</sup> See Siniša Petrović, Petar Ceronja, CORPOPRATE EFFECTS OF THE 'DANOSA CASE' - IS THE TERMINATION OF MEMBERSHIP IN THE BOARD OF DIRECTORS ALLOWED IN THE CASE OF A PREGNANT MEMBER OF THE BOARD? *Croatian Yearbook of European Law and Policy*, 8, 437-456, p.451, <https://www.cyelp.com/index.php/cyelp/article/view/139>, accessed 10.12.2024.

<sup>50</sup> Art. 363<sup>3</sup> Civil Procedure Code of Georgia, 14/11/1997; Siniša Petrović, Petar Ceronja, CORPOPRATE EFFECTS OF THE 'DANOSA CASE' - IS THE TERMINATION OF MEMBERSHIP IN THE BOARD OF DIRECTORS ALLOWED IN THE CASE OF A PREGNANT MEMBER OF THE BOARD? *Croatian Yearbook of European Law and Policy*, 8, 437-456, p.453, <https://www.cyelp.com/index.php/cyelp/article/view/139>, accessed 10.12.2024.

from the position with other grounds that are not connected to pregnancy although such obligation is not directly enshrined by the legislation Law of the limited liability Company of Germany (GmbHG).<sup>51</sup>

### III. CONCLUSION

Issues of the creation of perfect legal structures for the regulation of duties and rights of the directors are the primary business of the corporate law. However, the director as a human being also has basic social rights that are protected by the international legal acts, EU law, and internal legislation, especially labor code and anti-discriminatory law. Therefore, some basic public law requirements may interfere with the internal commercial and corporate law relationships.

The Law of Georgia on Entrepreneurs mainly regulates directors' statutory duties; however, there are no clear-cut provisions under this law about director rights, especially social rights, such as rights of paid vacation, organizing healthy working environment, non-discriminatory treatment, and so on. Therefore, take into consideration the above - mentioned issues, several changes shall be made and basic social rights should be defined by the Law of Georgia on Entrepreneurs.

In addition to that, Georgia has the EU candidate country status and accordingly, after becoming a EU member, the EU legal order will also influence Georgian corporate law and other internal legislation. Therefore, EU law requirements shall be observed in internal corporate and commercial relationships.

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<sup>51</sup> U Baeck and T Winzer, 'Mitglied des Vertretungsorgans einer Gesellschaft als Arbeitnehmer' (NZG 2011) 101 <<http://beck-online.beck.de>> accessed 30 August 2012, cited in: Siniša Petrović, Petar Ceronja, CORPORATE EFFECTS OF THE 'DANOSA CASE' - IS THE TERMINATION OF MEMBERSHIP IN THE BOARD OF DIRECTORS ALLOWED IN THE CASE OF A PREGNANT MEMBER OF THE BOARD? Croatian Yearbook of European Law and Policy, 8, 437-456, p.453, <https://www.cyelp.com/index.php/cyelp/article/view/139>, accessed 10.12.2024.



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