

Shareholders' agreement checklist: 20 clauses every founder needs

Not every business needs every clause, but you should decide each one deliberately. Tick each clause once you have agreed it with your co-founders. Section numbers are to the Companies Act 2006.

☐ **01 The agreement and the articles work together**

The articles are public and bind the company and every member (s.33). The agreement is private and binds only those who sign it. Key rights belong in both, with a clause saying which wins if they conflict. Changing the articles needs a special resolution (s.21).

☐ **02 Who owns what**

Each shareholder, how many shares they hold, and what each class of share carries: votes, dividends and capital on a sale or winding up.

☐ **03 Who sits on the board**

Which shareholders can appoint or remove a director, and what happens to that right if they sell down or leave.

☐ **04 Reserved matters**

A list of decisions that need everyone's consent, or a set majority: issuing shares, borrowing over a limit, selling the business, changing what it does, large contracts, and paying family members.

☐ **05 How the board decides**

Board meetings, notice, quorum, written resolutions, and whether the chair has a casting vote.

☐ **06 Deadlock**

What happens when you cannot agree: escalation, then mediation, then a route out such as a buy-sell clause or a sale of the company.

☐ **07 Information rights**

Management accounts, budgets and access to records for every shareholder, not only the directors.

☐ **08 Funding**

Whether anyone has to lend or invest more, on what terms, and what happens if one shareholder cannot or will not.

☐ **09 Issuing new shares**

New shares offered to existing shareholders first, so nobody is diluted without the chance to keep their share. The statutory right (s.561) can be excluded in a private company's articles (s.567), so check yours.

☐ **10 Selling shares**

No sale to an outsider without offering the shares to the others first, with any permitted transfers (for example to a family trust) spelled out.

☐ **11 Drag-along**

If an agreed majority accept an offer for the whole company, the rest must sell on the same terms, so a minority cannot block a sale.

☐ **12 Tag-along**

If a majority sells, the minority can sell on the same terms, so they are not left behind with a new owner.

☐ **13 Leavers**

What happens to a founder's shares when they stop working in the business, and the price for a good leaver and a bad leaver.

☐ **14 Vesting**

Shares earned over time, so a founder who leaves early does not keep a full stake.

☐ **15 Valuation**

How the price is fixed when shares change hands: fair value or market value, who values them, and whether a minority discount applies.

☐ **16 Death and incapacity**

Who can buy the shares, at what price, and how it is paid for. Life cover and a cross-option agreement usually sit alongside.

☐ **17 Restrictive covenants**

No competing or poaching clients and staff for a set period after leaving. Covenants wider than needed to protect a legitimate business interest are unlikely to be enforced.

☐ **18 Confidentiality**

Company information, and the agreement's own terms, kept confidential during and after ownership.

☐ **19 IP belongs to the company**

Everything the founders created, including the name, code, designs and content, assigned to the company in writing, including work done before it was formed.

☐ **20 Dividend policy**

How profits are paid out or kept in the business, so salary and dividend decisions do not become a source of resentment.

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