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A BRIEF GUIDE ON

THE OFFICE OF A MEMBER OF THE STATUTORY
BODY OF A BUSINESS CORPORATION
| EXECUTIVE DIRECTOR



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INTRODUCTION

Dear Executive Directors, Clients, and Business Partners,

In our many years of experience in the legal profession, we understand that regardless of the size or line of business of a company, all executive directors face a range of duties and corresponding responsibilities.

Our team specialising in corporate law has been partnering with statutory bodies for more than twenty years. In addition to day-to-day assistance with the preparation of all types of corporate documents and analyses of related duties, we have long provided practical training and other consultancy advice to clearly explain the functioning of statutory bodies.

It is precisely because of the considerable complexity and comprehensiveness of the regulation of the duties of statutory body members that we have decided to prepare this brief guide. Its aim is to provide a clear and one-stop overview of the functioning of statutory bodies, the duty of due managerial care, control mechanisms, concerns, profit distribution and other basic attributes that every executive director encounters. Finally, we add a very simple calendar of corporate obligations that statutory body members face each year.

Whether you are a newly elected or an experienced member of a statutory body, we hope this guide will make it easier for you to perform your office.

On behalf of the whole team, we wish you the most successful period while performing your office!

David Neveselý & Ondřej Florián
partners responsible for the corporate law team

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COMMENCEMENT AND TERMINATION OF OFFICE

The office of an executive director is commenced upon election, i.e., upon the effectiveness of a resolution of (typically) the general meeting or the sole shareholder. However, the resolution may also determine a later date of the commencement of the office. Thus, the office is not commenced by an act of the entry into the Commercial Register.

In a limited liability company, the statutory body consists of one or more executive directors. The memorandum of association may state that they shall form a collective body if the company has more than one executive director. Implications of this situation will be discussed in more detail below.

The office of the executive director may be terminated in several ways. An executive director may resign from his/her office on his/her initiative. In such a case, the office terminates on the date on which the resignation is discussed by the body that elected the executive director unless otherwise provided in the memorandum of association. An executive director may also be expelled by the court (see page 14 for more details).

Last but not least, an executive director may also be recalled by the supreme body (the sole shareholder or the general meeting) or by another body that appointed him/her to the office. In this case, too, the removal becomes effective upon the adoption of the resolution. As in the case of commencement of the office, the resolution to recall the executive director from the office may also determine a later effective date.

Executive directors do not have a statutory term of the office upon expiry of which their office would terminate. Nevertheless, we recommend executive directors check whether their term of office is stated in the memorandum of association or in their agreements on performance of the office.



ACTIVITIES OF THE STATUTORY BODY

Business management

The statutory body is responsible for the business management of the company. However, the law does not provide for a definition of the term "business management". The answer to the question of what is meant by business management has been provided only by the Supreme Court's decision-making practice. The Supreme Court has concluded that business management means the organisation and management of the company's day-to-day business activities, in particular decisions on the operation of the company's business and related internal affairs of the company. According to the Supreme Court, it is irrelevant whether the business activities are carried out by executive directors as a collective body or an independent executive director, or by a third party authorised by the statutory body.

Simply put, business management is the day-to-day decision-making about the performance of the company's business activities.

It is essential that business management is the exclusive scope of the powers of an executive director. No one may give instructions to the executive director regarding business management (i.e., not even the sole shareholder or the general meeting) and the executive director should not comply with such instructions without his/her discretion. The exceptions are the formal request for giving an instruction sent by the statutory body to the shareholder (or the general meeting) and the so-called concern instructions.

“NO ONE MAY GIVE INSTRUCTIONS TO THE EXECUTIVE DIRECTOR REGARDING BUSINESS MANAGEMENT.”

A formal request for an instruction on the business management does not fully discharge a statutory body member of his/her duty to act with due managerial care in its entirety. The concern instructions are discussed in detail on p. 19. By law, executive directors decide on business management by a majority, even in cases where they do not form a collective body.

Representation of the company

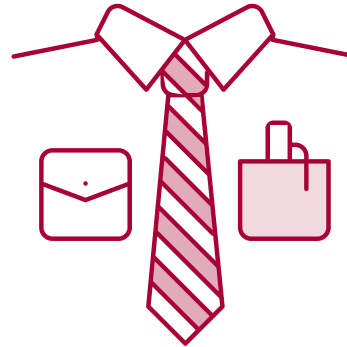
The process of representation of the company can be divided into two basic phases, namely (i) the phase in which the will of the company is formed, and (ii) the phase in which such will materializes into a specific act on behalf of the company.

Formation of will

The will as to how to act on behalf of the company is formed within the statutory body. The act itself is, in principle, only the implementation of the decision of the statutory body. In business management matters, executive directors decide by a majority regardless of whether they form a collective body (of course, if there is more than one of them in the company). Executive directors should keep thorough records of their decisions and archive them. In case their potential liability for damage is assessed, the archiving of relevant records may typically be the very thing that will enable executive directors to demonstrate that they have acted with due managerial care.

As a rule, it will be an executive director in the position of a defendant who will bear the burden of proof. Thorough archiving may thus save executive directors from being held liable for the damage caused, as they might not otherwise be able to prove that their actions were correct.

**“
IN BUSINESS
MANAGEMENT
MATTERS, EXECUTIVE
DIRECTORS DECIDE
BY A MAJORITY
REGARDLESS OF
WHETHER THEY FORM
A COLLECTIVE BODY.**



Acting on behalf of the company

Acting on behalf of the company means the acting of authorised persons on behalf and for the account of the company in legal relations with third parties – acting vis-a-vis third parties. The basic rule of acting on behalf of the company is that each executive director is authorized to represent the company individually.

However, the specific manner of acting must always be in accordance with the manner of acting entered in the Commercial Register.

The memorandum of association may provide for the manner of representation of the company in different ways. One such option may be, for example, the two-man rule, when at least two executive directors must act jointly on behalf of the company.

In some cases, the manner of representation of the company is provided directly by law. For example, in civil court proceedings, the company is represented by one executive director.

“**THOROUGH ARCHIVING
OF DECISIONS OF
EXECUTIVE DIRECTORS
MAY SAVE THEM FROM
A POTENTIAL OBLIGATION
TO COMPENSATE FOR
DAMAGE.**”

**FOR THESE REASONS,
OUR CLIENTS USE OUR
SERVICES, WHICH
CONSIST NOT ONLY
OF THE CORRECT AND
COMPLETE PREPARATION
OF DOCUMENTS BUT ALSO
OF ARCHIVING THEM AND
MAINTAINING A FILE OF
DECISIONS OF EXECUTIVE
DIRECTORS, WHETHER
IN PHYSICAL OR SECURE
ELECTRONIC FORM.**



Acting contrary to the above

What is relevant is whether there has been an act contrary to the will-forming process or contrary to the rules of acting on behalf of the company. If an executive director has acted on behalf of the company without a prior decision of the statutory body, this may constitute a breach of the duty of due managerial care.

However, if an executive director acts in a manner contrary to the manner of acting on behalf of the company, it is possible that he/she will be bound by such an action in place of the company. The company will thus not be bound at all and will not, for example, be obliged to perform under the contract. However, the company may also approve such an action without undue delay (typically by correcting the originally incorrect manner of its representation).

AGREEMENT ON PERFORMANCE OF OFFICE, REMUNERATION

All performance by a limited liability company for the benefit of an executive director for the performance of his/her office must be provided under an agreement on the performance of the office concluded between the company and the executive director and with the consent of the general meeting or the sole shareholder.

Agreement on performance of office

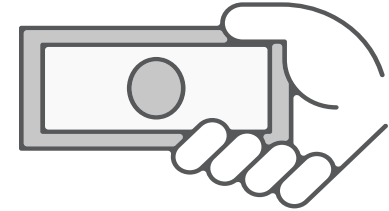
An agreement on the performance of the office is a contractual relationship between the company and an executive director. It provides for the rights and obligations of the parties. Primarily, it may serve to specify certain obligations of an executive director, the manner of performance of his/her office, but also to provide for the manner and amount of remuneration of the executive director for the performance of his/her office.

It is not an employment agreement and the conclusion of the agreement on the performance of the office does not establish an employment relationship. Therefore, the employment law principles do not automatically apply here. However, certain rules typical for the employment relationship may be expressly provided (e.g., severance pay, certain benefits, etc.).

The agreement on the performance of the office must be in writing. It is approved by the company's supreme body. If not approved, the performance of the office is for no consideration. The agreement on the performance of the office may be approved both before and after its conclusion. However, until approval, an executive director is not legally entitled to remuneration.

“ALL REMUNERATION PAYMENTS SHOULD BE SPECIFIED IN THE APPROVED AGREEMENT ON THE PERFORMANCE OF THE OFFICE. OTHERWISE, THIS COULD CONSTITUTE THE UNJUST ENRICHMENT OF AN EXECUTIVE DIRECTOR.”

CLIENTS ARE ADVISED TO NOT UNDERESTIMATE THE AREA OF REMUNERATION AND CONCURRENCE OF FUNCTIONS. THE AGREEMENT ON THE PERFORMANCE OF THE OFFICE IS A KEY DOCUMENT WITH MANY BENEFITS FOR THE BODY MEMBER. OUR MANY YEARS OF EXPERIENCE ENABLE US TO THOROUGHLY AND CORRECTLY SET UP THE MUTUAL RELATIONS BETWEEN THE COMPANY AND AN EXECUTIVE DIRECTOR OR TO THOROUGHLY REVISE THE ALREADY SET RELATIONS. THIS PROVIDES SUFFICIENT LEGAL CERTAINTY FOR BOTH PARTIES, WHO THUS AVOID THE RISK OF LATER LITIGATION, E.G., OVER THE SCOPE OF BENEFITS DRAWN OR THE SCOPE OF THE DUTIES OF A MEMBER OF THE ELECTED BODY.



Remuneration

Any remuneration payments that an executive director receives from the company for the performance of his/her office should be specified in the approved agreement on the performance of the office or, at the very least, should be approved by the body approving the agreement on the performance of the office. Otherwise, this could constitute the unjust enrichment of an executive director. The company could (and, according to law, must) then enforce such payments back from the executive director.

For these purposes, remuneration is considered to be any benefit, whether monetary or non-monetary, received by an executive director from the company in connection with the performance of his/her office. This may be a fixed monthly remuneration payment (similar to a wage or salary), but also the provision of a company car or telephone for private purposes, various types of insurance and supplementary insurance, a possible share in the company, e.g., through a managerial programme, a profit share, participation securities or enabling their acquisition by an executive director or a person close to him/her, etc.

Concurrence of functions

When performing the office of an executive director, care must be taken to avoid the so-called prohibited concurrence of functions. This means a situation where an executive director has concluded an employment agreement for a position whose job description overlaps with the description of the office of the executive director.

Typically, this situation can arise in positions such as sales director, CEO or CFO, etc. However, the specific job description of the position must always be assessed.

Such a situation is undesirable. The office of an executive director cannot be performed under an employment relationship. In addition, as the employment agreement will generally not be approved by the general meeting or the sole shareholder in these cases, the performance of the office will often be for no consideration.

That the office is for no consideration does not exhaust the risks. Case law has also dealt with cases where upon election to the statutory body the concurrent employment agreement was implicitly terminated, its effectiveness was interrupted, etc. Difficulties may also arise with the correct determination of health and social insurance premiums. It is, therefore, necessary to examine each case individually.

However, it is not excluded that a member of the statutory body has concluded an agreement on performance of the office and at the same time an employment agreement for performance of his/her work activities which will not overlap with the office of an executive director in terms of content.

Therefore, we recommend that upon election to the office of a member of the statutory body, an agreement on performance of the office be concluded, and the existing employment relationship (if any) be appropriately modified according to the will of both parties.

“THAT THE OFFICE IS FOR NO CONSIDERATION DOES NOT EXHAUST THE RISKS. CASE LAW HAS ALSO DEALT WITH CASES WHERE UPON ELECTION TO THE STATUTORY BODY THE CONCURRENT EMPLOYMENT AGREEMENT WAS IMPLICITLY TERMINATED, ITS EFFECTIVENESS WAS INTERRUPTED, ETC. IT IS, THEREFORE, NECESSARY TO EXAMINE EACH CASE INDIVIDUALLY.”

DUTIES OF A MEMBER OF THE STATUTORY BODY

When performing his/her office, an executive director has many various duties, but the most specific of these, and probably the most important for the executive director, is the duty to act with due managerial care.

Duty to act with due managerial care

Due managerial care means that a member of the statutory body must act with the necessary loyalty and care and always act on an informed basis and in the defensible interests of the company when taking business decisions.

In this regime, an executive director is not evaluated for the outcome but for the effort. It, therefore, depends on whether he/she has acted loyally, diligently, on an informed basis, and in the interests of the company. If the answer is yes (and, as the case may be, the executive director can prove that these criteria are met in court), he/she will not be liable for the damage caused.

Due managerial care is a comprehensive concept that cannot be fully explained in a short paragraph. In general, however, concerning loyalty, an executive director should always put the interests of the company before those of the shareholders or even his/her interests. As far as expertise, in general, is concerned, an executive director does not have to be an expert in every conceivable field, but he/she must make the right judgment as to when it is appropriate to call for expert assistance.

“AN EXECUTIVE DIRECTOR DOES NOT HAVE TO BE AN EXPERT IN EVERY CONCEIVABLE FIELD, BUT HE/SHE MUST MAKE THE RIGHT JUDGMENT AS TO WHEN IT IS APPROPRIATE TO CALL FOR EXPERT ASSISTANCE.”

Sanctioning mechanisms related to due managerial care

If an executive director breaches the duty of due managerial care, he/she must release to the company the benefit he/she has received thereby. If he/she causes any damage to the company by this breach of duty, he/she is obliged to compensate for it. If he/she fails to compensate for the damage caused, he/she may even be liable to the company's creditors for debts that they fail to recover from the company to the extent that the executive director has not compensated for the damage. Thus, persons outside the company may also claim certain performance from him/her.

The court may also prohibit a member of the statutory body from performing the office of a member of the statutory body for up to three years if he/she repeatedly or materially breaches his/her duties.

If a member of the statutory body contributes to the company's insolvency by breaching his/she duty, the court may order him/her to return the benefits received under the agreement on the performance of the office for a period of two years backwards and, in an extreme case, to pay debts up to the amount for which the company's existing assets are insufficient.

Similarly, the remuneration of an executive director may be reduced if he/she has contributed to the unfavourable profit or loss of the company by performing his/her office.

This basic list of consequences can then also be extended in the agreement on the performance of the office.

DUE MANAGERIAL CARE IS A VERY COMPREHENSIVE AND DIFFICULT TOPIC, BUT ONE THAT IS ABSOLUTELY ESSENTIAL TO THE PERFORMANCE OF THE OFFICE OF AN ELECTED BODY. TO THIS END, WE ORGANISE SEMINARS FOR CLIENTS TO EXPLAIN THE PRACTICAL ASPECTS OF THEIR DUTIES AND HOW TO DEAL WITH THE RISKS ARISING FROM THEIR OFFICE.

“
IN GENERAL, AN
EXECUTIVE DIRECTOR
SHOULD PUT THE
COMPANY’S INTERESTS
FIRST. HOWEVER, IF
HE/SHE COMPLIES
WITH THE CONFLICT-
OF-INTEREST RULES,
HE/SHE MAY ALSO
PROMOTE HIS/HER
INTEREST TO

Conflict of interest

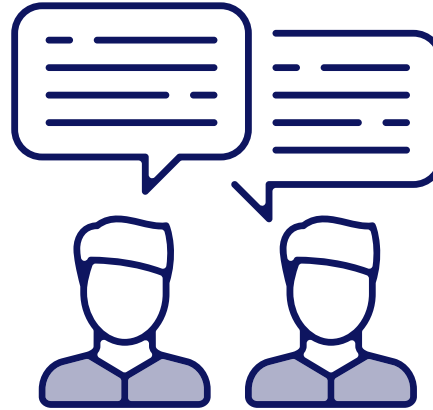
When performing his/her office, an executive director may have a conflict between his/her interests and the company’s interests. In general, he/she should put the company’s interests first.

However, if he/she complies with the conflict-of-interest rules, he/she may, under certain conditions, also promote his/her interest to the detriment of the company.

An executive director has a direct conflict of interest if he/she plans to enter into a contract with the company. In such a case, he/she is obliged to inform the other executive directors and the supervisory board, if any, otherwise the general meeting (respectively the sole shareholder) in advance. The general meeting (the sole shareholder) may prohibit the conclusion of the agreement.

In other cases where there is not a direct conflict of interest, but an executive director has an indirect conflict of interest or becomes aware that a conflict of interest is imminent, he/she is also obliged to inform the other executive directors and the supervisory board, if any, otherwise the general meeting (the sole shareholder). The supervisory board is then obliged to inform the general meeting (the sole shareholder) about the conflict of interest of the executive director.

In response to a conflict of interest, the supervisory board or the general meeting (the sole shareholder) may in some cases suspend an executive director from performing his/her office or prohibit the conduct in question. Acts taken in a conflict of interest without meeting these conditions may be ineffective or bind the executive director himself/herself in place of the company.



Obligations related to the shareholders' right to information

When performing the office of a member of the statutory body, it must be taken into account that shareholders have certain rights to information, which are modified depending on the legal form of a company.

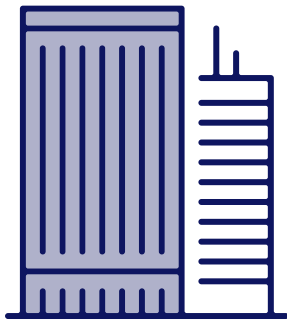
A shareholder of a limited liability company has the right to request information about the company, inspect documents, and check the data contained therein and other information specified in the memorandum of association. An executive director may refuse to disclose such information only if such information is classified or publicly available (also in the case of an abusive exercise of that right by a shareholder).

“AN EXECUTIVE DIRECTOR MAY REFUSE TO DISCLOSE INFORMATION ONLY IF SUCH INFORMATION IS CLASSIFIED OR PUBLICLY AVAILABLE (AND ALSO IN THE CASE OF AN ABUSIVE EXERCISE OF THAT RIGHT BY A SHAREHOLDER).”

BUSINESS GROUPS

The issue of business groups is an integral part of the world of business corporations. It is important for an executive director to recognize whether and at what level of a group the corporation is. From this assessment, the executive director must normally draw the consequences for himself/herself and his/her duties. However, for all levels, the executive director is obliged to act with due managerial care.

The level of intensity of integration into a business group can be expressed as follows:



**NO
GROUP**

**COMPLETE
GROUP**



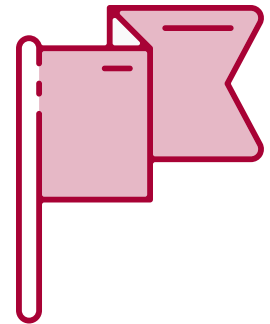
Influence

In the first level of business groups, a distinction is made between influential and influenced entities. Both natural and legal persons may become influential entities. Only a business corporation may be an influenced entity. In this case, the main focus is the influence of the influenced entity in a decisive and significant manner. As the terms themselves suggest, this will often be a one-off influence. The hallmark of influence is factual completion, i.e., that the influence has already occurred. If the influence causes damage to the influenced entity, the influential entity is obliged to compensate the influenced entity for the damage. The influential entity may be exempted from this obligation under certain conditions, but on the other hand, it may also be liable to creditors for the damage caused.

The influential entity may be an entity with a direct share in voting rights, a beneficiary under shareholder agreements, but also, for example, a significant creditor, business partner, etc.

Control

In the second level of business groups, the law distinguishes between controlling entities, which may be both natural and legal persons, and controlled entities, which may only be business corporations. A controlling entity is an entity that may exercise decisive influence in the company, e.g., a majority shareholder. Unlike influence, the mere potentiality of such a state is sufficient to fulfil the characteristics of control. That is, the controlling entity may directly or indirectly exercise decisive influence in the business corporation. The statutory body of the controlled entity must prepare, inter alia, a report on relations in which the control is specifically described.



CLIENTS ARE ADVISED TO FAMILIARISE THEMSELVES THOROUGHLY WITH THE CONCERN LAW REGULATION. THE ASSESSMENT OF THE POSSIBILITY TO CARRY OUT AN INSTRUCTION AND THE POTENTIAL LIABILITY FOR CARRYING IT OUT MAY HAVE SIGNIFICANT CONSEQUENCES FOR AN EXECUTIVE DIRECTOR.

Concern

A concern does not have a legal personality and therefore cannot have rights and obligations under Czech law. Also, in this case, there are two types of entities, namely, dependant entities and dominant entities. A concern is established where the dependant entity (or more than one such entity) is subject to single management by the dominant entity or entities.

The advantage of the existence of a concern is the potential to discharge oneself of the obligation to compensate for damage caused by an executive director and the possibility of the dominant entity to give instructions to the executive director regarding business management (and, within those instructions, to discharge itself of liability for damage).

Discharging itself of the obligation to compensate for damage

In order for the dominant entity to discharge itself of the obligation to compensate the dependant entity for damage, the following formal requirements must be met:

- concern affiliation is published on the website;
- the damage has occurred in the interest of the concern;
- the damage has been or will be adequately compensated within the concern within a reasonable period of time;
- no insolvency of the dependant entity will occur as a result of the actions of the dominant entity toward the dependant entity.

Instructions regarding business management within the concern

The body of the dominant entity may give instructions regarding business management to the bodies of the dependant entity if such instructions are in the interest of the concern. However, such an instruction regarding business management does not discharge a member of the statutory body of the obligation to act with due managerial care.

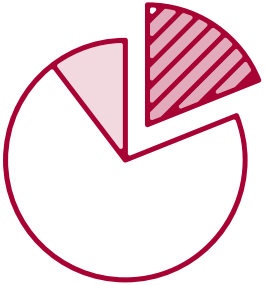
However, an executive director of the dependant entity may discharge himself/herself of liability for damage if he/she proves that the requirements for giving a concern instruction have been met and at the same time that he/she could have reasonably foreseen that any damage to the dependant entity resulting from the instruction would be settled within the concern. In doing so, there must be circumstances for which the executive director reasonably believes that the damage will be settled with adequate consideration and within a reasonable period of time.

Report on relations

An executive director of a limited liability company that is the controlled entity is legally obliged to prepare a written report on relations within three months of the end of an accounting period.

The report on relations will include, as a minimum, the structure of the relations between the controlling entity and the controlled entity, the role of the controlled entity within those relations, the manner and means of control, an overview of the acts taken in the last accounting period in which the controlling entity was involved, an overview of the contracts concluded between the controlled entity and the controlling entity, and an assessment of the advantages and disadvantages of control. If the company prepares an annual report, the report on relations is part of it and is subject to audit.

ALTHOUGH AN EXECUTIVE DIRECTOR OF THE CONTROLLED ENTITY IS OBLIGED TO PREPARE A REPORT ON RELATIONS WITHIN THREE MONTHS, OUR PRACTICAL EXPERIENCE IS THAT EXECUTIVE DIRECTORS OF MANY COMPANIES NEGLECT THIS OBLIGATION.



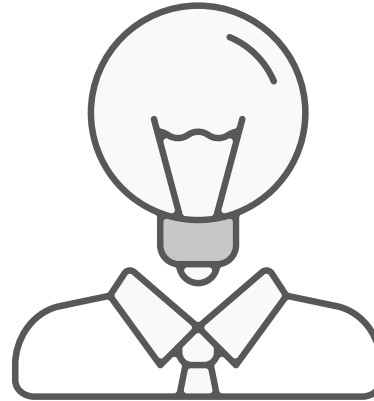
DISTRIBUTION OF THE COMPANY'S PROFIT

Making a profit is usually the primary objective of establishing a limited liability company. However, there are rules for its distribution that an executive director should know and follow. This is primarily because it is ultimately the executive director who decides on the actual payment of a profit share to shareholders.

Determination of the amount to be distributed

The law imposes the obligation to deposit in the Collection of Deeds the proposals of an executive director on the disposal of the company's profit or loss. This should be submitted by executive directors to the general meeting (sole shareholder), and as early as at this stage executive directors should already know what amount of the profit or loss they can dispose of and how.

To that end, the law prescribes the obligation to draw up financial statements, which must be submitted to the general meeting for approval within six months of the end of the accounting period. Furthermore, the law contains several "capital tests", which should be applied by an executive director to determine the maximum amount he/she can propose to be distributed as a profit share.



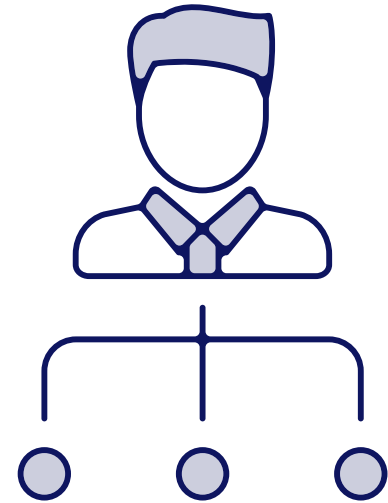
Obligations before profit payment

As mentioned above, following the resolution of the general meeting (sole shareholder) on profit distribution, it is up to the statutory body to assess whether to pay out the profit. Even within this decision, the statutory body must exercise a certain degree of discretion. First, an insolvency test must be prepared, and the company must not pay out a profit share if this would cause it to become insolvent.

As part of this phase, the statutory body should also consider whether it will pay out the profit less the withholding tax to each shareholder, and where and when it will send the relevant amounts. Even if the general meeting (sole shareholder) has decided on the distribution of the profit, the statutory body is responsible for its final correct payment.

**SINCE THE FINAL
PAYMENT OF PROFIT IS
THE RESPONSIBILITY OF
AN EXECUTIVE DIRECTOR,
CLIENTS OFTEN USE OUR
PROFESSIONAL SERVICES
TO ENSURE THAT THE
PAYMENT OF PROFIT IS IN
COMPLIANCE WITH THE
LAW.**

REGISTER OF BENEFICIAL OWNERS



In particular, we would like to point out that the statutory body should also take care throughout the existence of the company to ensure that a correctly identified beneficial owner is entered in the Register of Beneficial Owners pursuant to the relevant statutory provisions.

In addition to various public law penalties that may also result from an incorrect entry in the Register of Beneficial Owners, the consequence is also a prohibition on the company to pay out a profit share to a person who should be registered as a beneficial owner or to a person who has not registered its beneficial owner. Such persons may not even exercise voting rights in the company.

“THE CONSEQUENCE OF AN INCORRECT ENTRY IN THE REGISTER OF BENEFICIAL OWNERS IS ALSO A PROHIBITION ON THE COMPANY TO PAY OUT A PROFIT SHARE

CALENDAR OF CORPORATE OBLIGATIONS

OBLIGATION	EXPLANATION	FREQUENCY / NOTE	DEADLINE
Preparation of financial statements	The company is obliged to prepare a formal record of the financial activities carried out in the previous accounting period. The bodies are obliged to draw up the relevant business reports.	Once a year.	
Filing a corporate income tax return	Obligation to the tax office. Please note that the company may have multiple tax obligations.	Once a year.	3 months after the end of the tax period. 6 months in the case of the obligation to have the financial statements audited.
Preparation of the report on relations	The statutory body of the controlled entity will prepare a written report on relations.	Once a year.	3 months after the end of the accounting period.
Convening a general meeting	The statutory body is obliged to convene a general meeting at least once a year (to discuss the financial statements, see below).	At least once a year. However, the obligation to convene a general meeting may arise more frequently.	So that the financial statements can be discussed no later than 6 months after the end of the accounting period.
Discussion of the annual financial statements	The general meeting is obliged to discuss the financial statements.	Once a year.	6 months after the end of the accounting period.
Disposal of the profit or loss	The statutory body should annually propose how the profit or loss will be disposed of.	Once a year.	Depending on whether a general meeting is convened.

OBLIGATION	EXPLANATION	FREQUENCY / NOTE	DEADLINE
Obligation to publish relevant corporate documentation	The company is obliged to deposit the following documents in the Collection of Deeds:		Without undue delay.
	a) financial statements, unless they are part of the annual report;		Within 30 days of (i) the auditor's verification and upon (ii) approval of financial statements and of annual report by the relevant body.
	b) auditor's report on verification of financial statements;	Under the terms of the Accounting Act.	
	c) annual report;	Companies that are obliged to have their financial statements audited.	
	d) proposal for distribution of profit or other own resources or settlement of loss, and its final form, if not already included in the financial statements;		
	e) report on relations.	If the company is a controlled entity.	

OBLIGATION	EXPLANATION	FREQUENCY / NOTE	DEADLINE
	f) articles of association, any amendments thereto (each time a new consolidated version);	On a continuous basis.	
	g) decision on the appointment and removal of an executive director;		
	h) other documents which must be deposited in special cases.		
Record keeping	The statutory body is responsible to the company for the proper keeping and storage of accounting records. The company keeps the following records:		
	a) financial statements and annual report for 10 years;		
	b) accounting documents, ledgers, amortisation schedules, inventory lists, chart of accounts for a period of 5 years;		

OBLIGATION	EXPLANATION	FREQUENCY / NOTE	DEADLINE
	c) accounting records by which accounting units document the keeping of accounts, for a period of 5 years;		
	d) employee records;		
	e) tax records for a period of 3 years;		
	f) list of shareholders;		
	g) minutes of the sessions of the supreme body, including all annexes, for the entire period of its existence (+ after dissolution, if applicable);		
	h) other corporate records.		

NOTICE

We hope that this guide has provided you with a useful basic overview of the selected rights, obligations, and rules that are relevant to the performance of the office of an executive director. Due to the complexity and comprehensiveness of the issue of the performance of the office of an executive director, we have limited ourselves to a very brief explanation of some related selected issues. The calendar of corporate obligations in this guide is just a basic list of all obligations. In fact, there will be many more obligations depending on the company's scope of business, its size, and other factors. This guide is not and cannot be a comprehensive legal opinion on the matter or legal advice on any of the areas discussed.

The areas described are only a brief summary of the issues involved. Nor can this guide be a substitute for legal advice on any particular matter covered in it. Moreover, each case must normally be assessed individually. We, therefore, recommend that you seek specific legal advice from a specialist in the relevant field. We are ready to assist you in this respect at any time.

This guide does not cover the business, technical, financial, or tax aspects of performing the office of a member of the statutory body.

This guide does not address the issue of the intertemporal aspects of individual obligations, risks, and claims. This guide has been prepared under Czech law and does not take into account the law of any other jurisdiction. If any issue indicated in this guide relates to any jurisdiction other than the Czech Republic, a qualified lawyer from the relevant jurisdiction should be consulted for specific advice. This guide is up-to-date reflecting the legal status effective as of 1 January 2023.

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