



The pandemic struck in an unprecedented extent and uncertain times will continue. However, regardless of the ups and downs that may still await us, we must reject passivity and initiate a recovery. Based on our experiences from previous successes, as well as the knowledge brought by this crisis, your business can become stronger for the future. As lawyers, we go through all the difficulties and experiences with our clients. Taking advantage of these experiences is simple. Respond to the current situation with knowledge and determination. Identify elements in your operation and business that can be changed and improved. Look for alternatives that can make you stronger. Improve your position for the future day by day.

The world has changed, the business of the future starts today and we are with you. Begin the process of Regeneration. Today.



Jan Spáčil

Managing partner
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01

Impact of the Emergency Situation on Obligations under Contracts

Meeting contractual obligations can be a particularly challenging task for businesses in the times of the post-coronavirus economic downturn. However, if you or your business partners are unable to meet your obligations, you need to act quickly and actively communicate with the other party. Many issues can be resolved by mutual agreement and adjustment of contractual conditions, while litigation is often the very last possibility. **What to do if you cannot meet your contractual obligations?**

What to do if you or your partners cannot meet their obligations?

- analyse possible steps in case of delay in the fulfilment of the obligation (even due to subcontractors)
- assist in the resumption of negotiations in the event of deterioration of the contractual position or in the filing of an action seeking to amend or cancel an unbalanced contract by the court
- review of existing contractual documentation from the perspective of Force Majeure and its setting for the future (sample contracts, terms and conditions, orders, commercial documents)
- analyse the possibility of terminating negotiations on a contract not yet concluded without sanctions

Subcontractor's delay due to a force majeure obstacle

Force majeure as such does not relieve any party of the duty to fulfil its obligations, but may, under certain conditions, relieve the party of a liability for damage caused by non-performance (failure to deliver goods or services within the prescribed period) as a result of an extraordinary unforeseeable and insurmountable obstacle (force majeure).

Renegotiation of an unbalanced contract as a result of a material change in circumstances

Should there be a material change in circumstances as a result of force majeure, which would establish a gross disparity in the rights and obligations of both parties, the

affected party may seek the resumption of negotiations on an already concluded contract. If the parties do not agree on new terms, the contract may be cancelled by the court on a proposal from one of the parties. However, it will again depend on the specific contractual relationship and its terms. In a number of more robust contracts, the possibility of danger of a substantial change in circumstances is also contractually excluded by the parties.

Failure to perform caused by a permanent obstacle

In the event that after the conclusion of the contract a permanent obstacle will occur, due to which the obligation (e.g. delivery of goods) cannot be fulfilled, the contract expires. However, the impossibility of fulfilling the obligation is assessed objectively, i.e. in relation to all persons in such a position. In the event that the fulfilment of the obligation would only become more difficult (for example, the delivery of goods with increased costs), the obligation of, e.g., the delivery of goods as such continues to exist.

Rules that may apply to a contract concluded with a foreign entity

In certain circumstances, the United Nations Vienna Convention on Contracts for the International Sale of Goods (CISG) may be relevant, of which Czech Republic is a signatory in addition to 88 other countries, including China. In the event that your purchase contract is governed by the Vienna Convention, i.e., if your contractual partner is an entity with a place of business in the State that acceded to the Convention and the application of the Convention is not excluded in the contract,

special rules will apply to your contract. These rules govern in more detail certain aspects, in particular the duration of force majeure, the reporting obligation or the circumstances of force majeure on the part of the subcontractor. In particular, the rule of Article 79 will apply, according to which a contracting party is not liable for failure to fulfil any of its obligations if it proves that that failure was caused by an obstacle which did not depend on its will.

Termination of contract negotiations without penalty

Czech law allows a contract to end without penalty in certain circumstances. It applies that it is at the discretion and decision of the

parties, whether the contract will be concluded and with what contents. Thus, in the words of the law, everyone can conduct negotiations on the contract freely and is not responsible for not concluding it. However, there are a few exceptions to the above rule in the law. One of these are the situations where the parties go so far in their negotiations that the conclusion of the contract seems highly likely or practically certain. If such a situation occurs, then the person who, despite the reasonable expectations of the other party, terminates the negotiations on the contract, acts dishonestly (unlawfully). However, even in such a case, the rule of law allows for the end of the proceedings without penalty. However, there must be a fair reason for such a procedure.

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02

Home Office as a Practical Work Organisation Tool even after the Corona Crisis

The COVID-19 pandemic and the related government measures pushed employers to think about new ways of working. The already-popular home office proved to be an effective solution in the time of crisis. Even though home office is not suitable for every type of work and, for some companies, it can greatly interfere with the routine ways of an organisations work, quarantine forced companies to come up with fast solutions to make home office possible – at least to a certain extent. **Do you know how to set up home office correctly?**

Setting up home office and the related documentation

Because most measures have already been lifted and companies are no longer burdened with creating crisis solutions, it might be worth having a think about the way home office is set up and consider whether it meets the needs of the company and its employees. Organisations should also assess whether internal regulations and employee agreements include all the important information and make appropriate adjustments regarding the reimbursement for home office costs. We have summarised the most important information that can help you set up home office correctly.

Employers cannot order home office – employees always have to agree with working from home. Usually, when introducing home office, the place of work changes as well (or another place of work is added for home office purposes); this change cannot be done unilaterally and always has to be subject to a mutual agreement between the employee and the employer.

Usually, working hours are set by the employer. It is no different for employees working from home. Therefore, it depends on the employer whether they set fixed working hours or opt for a more flexible setup, such as dividing working hours into fixed and flexible time slots. Fixed working hours (or, alternatively, a flexible arrangement with a significant share of fixed time slots) can be recommended especially due to its practicality – if an employer works in a team, it is necessary for them to be available at the same time as their colleagues.

Appropriate regulations need to be in place for setting up home office correctly. We recommend preparing an internal regulation that will primarily specify:

- Job positions eligible for home office
- Working hours and the employee's availability during the day
- Basic OHS rules
- Way of communicating with the team
- Way of assigning work

We also recommend concluding an agreement on home office with every employee that will specify the place (places) of work in the event of home office, working hours, the employee's obligation to adjust their home workplace according to the employer's requirements. This document should also include an agreement on reimbursement for the costs incurred by the employee due to home office. In case the documents were prepared in a hurry during the emergency state, we recommend revising them and, if necessary, updating them with regard to the above-stated recommendations.

When working from home, employees can be required to adhere to the same OHS rules as when working on the employer's premises. We recommend formulating special OHS rules that stem from the specifics of home office work in an internal regulation and in the agreements with individual employees. In terms of OHS, it is also appropriate to set up the requirements for a home office workplace and its compliance with OHS. Before enabling home office, we also recommend organising a training session (e-learning) which will inform the employees about potential OHS risks resulting from home office.

The employee working from home is entitled to the same salary or wage as when they are working at the workplace of the employer. They are also entitled to a reimbursement for home office costs. The rules for home office reimbursement including its amount and form of settlement are arranged by the employer, or defined in an internal policy or set out individually in writing. A failure to provide reimbursement for HO costs may result in a penalty imposed by the labour inspectorate of up to CZK 200,000. The employer can also claim the reimbursement retroactively.

The employer can set a flat-rate reimbursement for home office work that will be based on the rules stipulated in the employer's internal regulation or in the employee's agreement, provided that the rate was demonstrably based on the calculation of the actual costs. If the legal requirements are met, the reimbursement is a part of the employee's salary not subject to tax and not included in the assessment base for paying health insurance and social security contributions. On the part of the employer, the reimbursement is considered a tax expense.

What can we help you with?

- Consultancy during the entire process of introducing home office
- Preparation of a home office policy
- Preparation of an individual model agreement
- OHS consultancy
- Consultancy regarding home office reimbursement, including the calculation of flat-rate reimbursement
- Assistance with communication with employees or financial authorities

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03

Analysing the Terms of a Lessor-Lessee Relationship and Recommendations of Possible Solutions

The COVID-19 pandemic and related measures affected both lessors and lessees of apartments and commercial premises, giving rise to new rights and obligations for both parties. New laws have been enacted and subsidy programmes launched due to the pandemic but there have also been other changes and novelties in the real estate law which do not relate to the pandemic directly. **How to proceed at present?**

Regulations mitigating the impacts of the COVID-19 pandemic on lessees

Apartments

- Until 31 December 2020, lessors must not terminate the lease due to the lessee being in arrears with the payment of rental which was due from 12 March to 30 July 2020.
- The delay must be caused primarily by an emergency measure against the COVID-19 effects; the lessee has to demonstrate the reason for the delay to the lessor by a confirmation issued by the Labour Office.
- The lessee has to pay the outstanding rental by the end of 2020.
- The ban on terminating a lease does not involve other reasons for termination. After the emergency measures are no longer effective, the lessor may require lease termination if it is unfair to continue to require the statutory limitations from the lessor (the lessor would not have sufficient subsistence resources due to the delay).
- Not only a lease but also a sublease of premises (incl. houses, their parts or other premises leased for housing purposes).

Business premises

- Until 31 December 2020, lessors must not terminate the lease due to the lessee being in arrears with the payment of rental which was due from 12 March to 30 June 2020.
- The delay must be caused primarily by an emergency measure against the COVID-19 effects; the lessee has to demonstrate the reason for the delay to the lessor, e.g. by way of accounting documents.

- The lessee has to pay the outstanding rental by the end of 2020.
- The ban on terminating a lease does not involve other reasons for termination. After the emergency measures are no longer effective, the lessor may require lease termination if it is unfair to continue to require the statutory limitations from the lessor (the lessor needs the premises for own use).
- Not only lease but also sublease and usufructuary lease of premises (incl. apartments and other premises leased for business purposes).

How to proceed at present?

- Legal regulations only respond to some types of situations; lessees must seek their rights on their own.
- We recommend a new contractual setting for continuing cooperation between the parties.
- In some situations, it may be more advantageous to terminate the lease by agreement.
- All negotiations should also reflect other legislation enacted in relation to COVID-19.
- Before the beginning of negotiations, we recommend a detailed legal analysis assessing your rights and obligations.
- Please do not hesitate to contact us if you have any questions.

Programme of the Ministry of Industry and Trade Supporting Businesses: “COVID – Rental”

Programme objectives and conditions

- Individuals (entrepreneurs), legal entities
- Based on emergency measures, the sale of goods and services in establishments was banned from 13 March to 30 June 2020
- Subsidies for a partial payment of rental for April, May and June 2020
- Performing business activity under the Trade Licensing Act or another legal regulation
- The establishment is not owned by the applicant (lessee)
- The lease agreement was concluded before 12 March 2020 (this also includes sublease and usufructuary lease)
- The applicant (lessee) is not related to the lessor
- The applicant is not in arrears with their payments to selected institutions (Tax Office, Czech Social Security Administration, Ministry of Finance, health insurance companies, etc.)

Support

- The lessor will provide the lessee with a 30% rental discount.
- The Ministry of Industry and Trade will provide a subsidy amounting to 50% of the rental.
- In situations where the lessor is the Czech Republic, the subsidy amounts to 80%.

- The amount of support is CZK 10 mil. at maximum
- Subsidy is paid ex post
- The support is conditioned by waiving the rental-related compensations to be provided by the Czech Republic.
- In the event of using this lessee support, it will not be possible to draw simultaneously some other support for lessees for the same period.

How to proceed at present?

- The programme has already been approved by the government, awaiting the approval of the European Commission.
- We recommend monitoring future developments and respond promptly when further details are published.
- Negotiations and an agreement between the lessor and the lessee are the key for obtaining the rental discount and qualifying for the subsidy.
- All negotiations should also reflect other legislation enacted in relation to COVID-19.
- Before the beginning of negotiations, we recommend a detailed legal analysis assessing your rights and obligations.
- Please do not hesitate to contact us if you have any questions.

Other News in Real Estate Law

Aside from the above regulations and programmes emerging due to the COVID-19 pandemic, some other changes were made in the real estate law in the first half of 2020, which are summarised below. Please do not hesitate to contact us should you need more information or legal services.

Amendment to the Civil Code – Act No. 163/2020 Coll.

On 1 July 2020, an amendment to the Civil Code took effect, which may impact the situation of selected apartment owners or lessees.

The major change includes the new wording of Sections 1124 and 1125 of the Civil Code, i.e. narrowing the definition of the pre-emptive right to the wording effective in 2014. The amendment thereby reflects the current issues caused by an excessively wide group of co-owners that have to be approached with a purchase offer when an apartment is sold (e.g. when a parking place or a part of basement premises defined by a co-ownership share in the entire non-residential unit also belong to the apartment). The statutory pre-emptive right will newly be granted primarily to those co-owners who were unable to affect their rights and obligations (i.e. mainly the origination of co-ownership) from the beginning.

Furthermore, the lessor will newly be able to impose a contractual penalty upon the lessee in the event that the lessee fails to meet their obligations and if the penalty is defined by the parties in the lease agreement. Pursuant to the current wording of Section 2239 of the Civil Code, arranging a contractual penalty is forbidden and apparent.

Regulation of shared accommodation services

In the first half of 2020, more changes were introduced, primarily aimed at shared accommodation services, such as Airbnb. Due to the above-specified amendment to the Civil Code, apartment owners will newly have to, in advance, inform the housekeeper of their business or other activities that may cause noise and disturbance in the house, not only for a temporary time period. The number of temporarily accommodated people will also newly be reflected in the amount of prepayments for housing-related services.

Other restrictions of short-term accommodation are also initiated by the Capital of Prague. An amendment to the Trade Licensing Act should restrict the length of stay or the number of accommodated guests.

Cancelling the real estate acquisition tax

A bill repealing Statutory Measure of the Senate No. 340/2013 Coll., on Real Estate Acquisition Tax, is currently in the legislative process.

This regulation would cancel the 4% tax on real estate acquisition, which is now paid by the purchaser upon acquiring real estate unless the transaction is exempt from tax. In this context, the deduction of interest on mortgage loans from the tax base of personal income tax will be cancelled.

For further information or a detailed assessment of your situation in relation to tax legislation, please do not hesitate to contact tax specialists from Deloitte with whom we closely cooperate in providing client services.

Services of Deloitte Legal Concerning Lessor-Lessee Relationships

Deloitte Legal real estate team

The Deloitte Legal real estate team delivers comprehensive legal services in all areas of real estate law, especially in real estate transactions and due diligence, in real estate contract law and property management, in all aspects of construction and water law, including related private-law regulation.

Services of Deloitte Legal concerning lessor-lessee relationships

Our services provided to clients include an AS-IS analysis and review of the relevant lease contract, supporting clients in negotiations with lessees/lessors, assessment of conditions and entitlements under the new private-law regulations including the laws enacted in relation to the COVID-19 pandemic, support in negotiations with banks, insurance companies, business partners, etc.

Experience of Deloitte Legal in the area of lessor-lessee relationships

Our clients include major developers and investors as lessors and also retail chains or individual entrepreneurs as lessees. We therefore understand both parties to a lease agreement and help clients find an optimum legal solution.

Members of the Deloitte Legal real estate team have speeches at specialised conferences, lecture at universities and are authors of a commentary on new Act No. 210/2020 Coll. regulating the lease of premises for business purposes in relation to the COVID-19 pandemic. We thus understand not only the practical aspects of lessor-lessee relationships but also have an insight into the wider context of rentals and related regulations.

With the use of other experts from the Deloitte network, we are able to provide clients with legal as well as tax and economic assessments of their situation. Clients thereby obtain comprehensive solutions to their situation and a wide support in implementing their plans. Do not hesitate to contact us.

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04

Under which Conditions can Employers Receive Compensation from the Antivirus Programme?

The Antivirus employment protection programme introduced by the Ministry of Labour and Social Affairs is designed to help companies protect jobs. If companies meet the programme conditions, the state reimburses their wage expenses, helping them to better overcome the difficulties caused by the COVID-19 pandemic and to prevent laying off, at least to a certain extent. The Antivirus programme is currently valid till the end of August 2020; however, the government is currently considering extending it or adopting additional measures for employment protection. **What are the individual regimes of the Antivirus programme?**

We remind you that the Antivirus programme is currently valid till the end of August. However, the Government of the Czech Republic is currently considering an extension. We will inform you in time about any possible changes.

Antivirus A and B

These two regimes compensate expenses to employers who had to send their employees into quarantine or who had to limit their operations fully or partially, for example, due to a decreased demand for their products or services. The reason for the extension is mainly the current epidemiologic situation as well as the emergency government measures still in place that continue to greatly affect certain employers.

Employers can continue to apply for the contribution under both regimes at the Labour Office.

Regime A – forced limiting of operations and quarantine

Regime A applies to the suspension or limitation of operations due to crisis measures or quarantine being ordered by a relevant authority. The contribution amounts to 80% of the paid wage compensation including health insurance and social security contributions (a maximum of CZK 39,000), provided that the following conditions have been met:

- in case of quarantine, the employee receives a wage compensation in the amount of 60% of their average reduced earnings;
- in case of a suspension of operations due to a government decree, the employee receives a wage compensation in the amount of 100% of their average earnings.

Regime B – related economic difficulties

The contributions under this regime should compensate for the expenses related to the paid wage compensation due to obstacles at work on the part of the employer as a result of the related economic difficulties caused by the coronavirus outbreak. The contribution amount

is 60% of the paid wage compensation including contributions (a maximum of CZK 29,000), provided that the following conditions have been met:

- in case of obstacles at work (quarantine or childcare) on the part of the employer affecting a large share of employees (30% or more), the employee receives a wage compensation amounting to 100% of average earnings;
- in case of limited availability of resources (materials, products, services) necessary for the employer's operations, the employee receives a wage compensation amounting to 80% of average earnings;
- in case of limited demand for services and products of the employer, the employee receives a wage compensation amounting to 60% of average earnings.

To whom and under which conditions will compensation be provided?

The Antivirus programme is intended only for employers in the wage segment (i.e. not public service employees who receive salaries) that have at least one employee in an employment relationship who meets the conditions of Regime A or B. At the same time, the said employee needs to be involved in sickness and pension insurance schemes under Czech legal regulations. Contribution can be provided only to those employees who were not laid off by the employer as of the date of submitting payroll records (part of the contribution application). Another condition is the actual payment of wage compensations to the employees and the payment of public health insurance and social security contributions to the state.

Antivirus C

In June, a third regime of the Antivirus programme was approved (Regime C), which consists in the remission of social security contributions. Unlike Regimes A and B, it only applies to employers with up to 50 employees and can be utilised for June, July and August 2020 for employees in an employment relationship.

What is the scope of the remitted contributions?

What will be remitted is the part of insurance premium that the employer pays as an insurance premium payer in the amount of 24.8% of their assessment basis. However, it is not possible to deduct an assessment basis greater than CZK 52,252 for individual employees. The employer is still obliged to pay insurance premium for employees in the amount of 6.5% of the assessment basis.

Which conditions does the employer have to meet?

To participate in this Antivirus regime, the employer must not employ more than 50 employees in an employment relationship that are involved in the sickness insurance scheme as of the last day of the month (this includes employees on maternity or parental leave or employees on a compensatory leave). At the same time, the number of employees

must not drop by more than 10% compared to the number as of 31 March 2020 and the aggregate assessment bases of employees in an employment relationship for an individual month must not drop by more than 10% compared to the same data for March 2020.

Inspections of state authorities related to the Antivirus programme

In relation to submitting an application under the Antivirus programme, the employer may be inspected – for the duration of the programme and after its end – whether they meet all programme conditions. In the event of a breach of the terms of an agreement under the Antivirus programme, the employer will be required to return the contribution, which actually occurs in practice. The information on the breach can then be passed onto the tax authority on suspicion of violating budgetary discipline. The labour-law aspects of the Antivirus programme are inspected by the State Labour Inspection Office. Any intentional misuse of the contribution may be considered a criminal offence. With regard to the fact that the inspections regarding the draw of funds from the Antivirus programme are carried out often and with great intensity, it is advisable to have all documents ready for the subsequent inspection to the extent required by the manual for the Antivirus programme issued by the Ministry of Labour and Social Affairs.

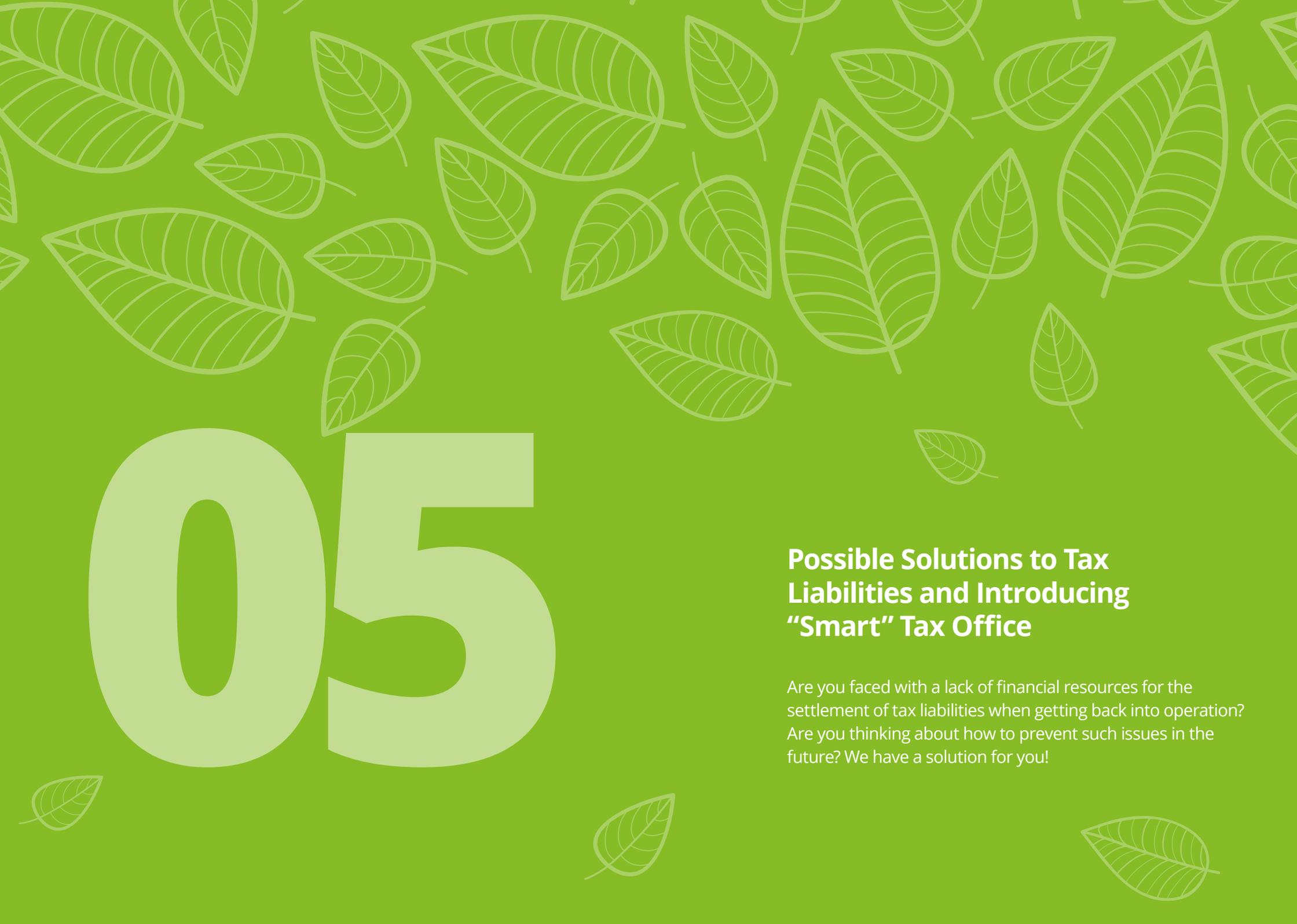
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05

Possible Solutions to Tax Liabilities and Introducing “Smart” Tax Office

Are you faced with a lack of financial resources for the settlement of tax liabilities when getting back into operation? Are you thinking about how to prevent such issues in the future? We have a solution for you!

Resolving a lack of finance by deferring tax payments

As regards liabilities to the tax office, a proactive approach is always recommended to prevent any distraint by the tax administrator.

Tax deferment is one of the possible solutions. Due to government measures adopted because of the coronavirus pandemic, a considerable decrease in income was recorded by a large number of companies. Some enterprises may have insufficient financial resources for the settlement of taxes, or the payment of taxes may have severe business consequences for them.

If you are in a similar situation, we recommend requesting a so-called tax deferment, i.e. postponement or a payment schedule. In this case, you do not have to pay default interest of 14% + the repo rate, but only 7% interest on the deferred amount + the repo rate. Besides, this interest may be partly forgiven.

Different setting of regular periodic prepayments and reverse utilisation of tax loss

In justified cases, the tax administrator may specify a different amount of periodic prepayments, or cancel the prepayments entirely for the whole taxation period and it can also do so retrospectively. For example, where the income does not correspond to the amount based on which prepayments for previous periods were set, this may be a way of how to reduce prepayments as appropriate.

Since 1 July 2020, it has been possible to utilise a tax loss not only in five taxation periods immediately following the period for which the tax loss is assessed but newly also in two taxation periods immediately preceding, up to

the amount of CZK 30 million. Simultaneously, it is also newly possible to utilise an “expected” tax loss.

Both of the above scenarios can improve your situation in terms of cash flow.

Prevention and increasing effectiveness by way of “smart” tax office

Recent months have proved that many companies do not use all the electronic options offered by Czech legislation. We have therefore prepared a workshop transforming your business for the digital age – we will help you launch a “smart” tax office that will accelerate related processes and generate cost savings.

The goal of this workshop (which is custom-tailored for each client) is to set internal procedures in a way ensuring effective management of tax, but also other corporate matters, anytime and anywhere.

The workshop comprises several topic-specific modules. Within eCommunication, we will teach you how to be in touch with authorities using the tax information box. This information box enables monitoring payments, arrears, overpayments and deadlines for tax returns, which will, inter alia, prevent sanctions and contribute to more effective cash flow. An amendment effective from January 2021 along with the launch of the “MY Taxes” portal will extend the possibilities of the tax information box. Newly, the information box will also be used to obtain selected information from one’s personal tax account, as well as to make pre-filled filings. We will also show you how to use the information box effectively and thus simplify communication with authorities and business partners.

The eCompliance module aims to prevent sanctions imposed by the tax administration by setting processes in line with tax legislation, especially in the area of electronic sales records, business partner checks and preparation of tax statements and other documents.

The eEducation module has been designed to create a system of courses and e-learning for employees, generating cost savings and increasing flexibility and effectiveness. The

eAccountant programme contains practical tools for the issuance of invoices and processing of incoming invoices (with possible use of RPA), online approvals and electronic archiving.

The last few months also demonstrated the need for an accurate setup of internal processes regarding home office, electronic contracting, selection of a suitable electronic signature and its effective usage. These matters are addressed in the eWork module.

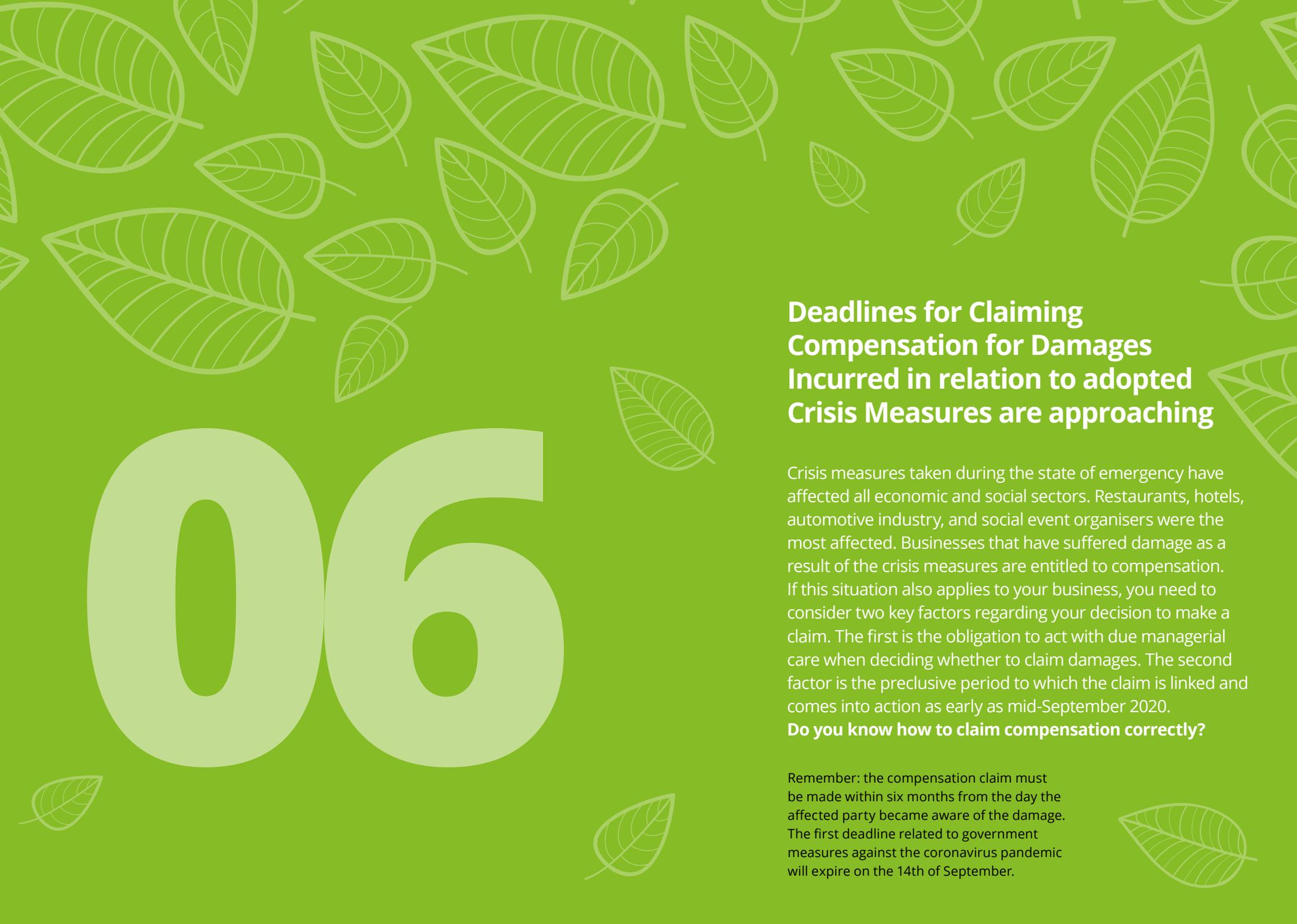
Do not hesitate to contact us. With our assistance, you will tackle even the greatest business challenges!

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06

Deadlines for Claiming Compensation for Damages Incurred in relation to adopted Crisis Measures are approaching

Crisis measures taken during the state of emergency have affected all economic and social sectors. Restaurants, hotels, automotive industry, and social event organisers were the most affected. Businesses that have suffered damage as a result of the crisis measures are entitled to compensation. If this situation also applies to your business, you need to consider two key factors regarding your decision to make a claim. The first is the obligation to act with due managerial care when deciding whether to claim damages. The second factor is the preclusive period to which the claim is linked and comes into action as early as mid-September 2020.

Do you know how to claim compensation correctly?

Remember: the compensation claim must be made within six months from the day the affected party became aware of the damage. The first deadline related to government measures against the coronavirus pandemic will expire on the 14th of September.

Conditions for claiming compensation

The basic legal regulation, which establishes the conditions for claiming compensation, is the so-called crisis law. It regulates the obligation of the state to compensate for damages that arose in casual connection with the adoption and implementation of crisis measures. This is a strictly objective responsibility of the state anticipated by law.

Any business which has been affected by state emergency measures is entitled to financial compensation for the damage caused. Companies claiming this compensation must prove their claim in the prescribed manner and prove or otherwise demonstrate the damage. Compensation shall be decided by the crisis authority on the basis of the application submitted. If the authority does not grant the request or grants it in part, it is necessary to turn to the court for the rest of the claim and to claim the compensation by legal action.

If the company records damage, it is obliged to claim it within the prescribed

period and in the prescribed form.

Management of the company is obliged to act always in the interest of the company, which is expressed in the obligation to act with due managerial care. The company is not obliged to claim such compensation only if the associated risks of failure or costs prevail over the potential profit of its recovery. Thus, responsible management should always consider, with the support of its advisors, whether and in what form to settle this claim, so that the company does not incur any harm.

The claim must be lodged with the competent authority within six months of the time the injured party became aware of the damage. In the case of crisis measures taken following the pandemic, the first deadlines for making the claim will expire on 14 September 2020. The injured party may claim monetary compensation for damages in kind as well as lost profits. The claim is free of charge; the court fee is linked only to the possible subsequent seeking the satisfaction of the claim in court.

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How can we help you?

To make an effective claim, it is necessary, in our experience, to combine legal advisory, financial services related to the valuation and calculation of the claim, as well as related tax and accounting services. If you want to apply for financial compensation for damage caused by the coronavirus crisis and are not sure how to proceed properly, do not hesitate and contact us! We will be happy to guide you through the process.

Deloitte Legal services related to the assessment and assertion of the claim

- Legal assessment of the claim in the form of a memorandum with a recommendation for further steps;
- Assistance in quantifying the claim for compensation (calculation of damages and lost profits);
- Evaluation of the client's position of proof and preparation of other evidence;
- Preparation of related corporate decisions and documentation for proving due diligence;
- Preparation of the application to make a claim for compensation;
- Representation in proceedings related to claims for compensation;

- Possible drafting of an action for damages and representation in legal proceedings.

Damage calculation with the support of Deloitte experts for an effective claim

- Assistance in calculating claims for compensation or lost profits;
- Verification of the calculation of the damage incurred by an expert opinion or another appropriate form;
- Advisory on an ad hoc basis provided to the client's internal team to confirm the client's calculation.

Deloitte's tax and accounting advisory related to claims for compensation

- Assistance from both tax and accounting perspectives in connection with the recording of the damage incurred in the company's books;
- Advisory regarding all tax aspects related to the claim for compensation to be taken into account;
- Assistance in discussion with the company's auditors during the audit of the financial statements;
- Ad hoc consultations with internal tax and accounting experts.

07

EU Public Aid and the Impact of the COVID-19 Pandemic on the Validity of Competition Rules

Both the European Union and the member states are coming up with effective measures to mitigate the impacts of the COVID-19 pandemic, which has had a direct impact on individuals, businesses, as well as the whole economy. Therefore, the governments of individual countries have announced that affected entrepreneurs would be provided compensation. Despite the non-standard situation, competition law is still valid and public funds designated for mitigating the impacts of the pandemic-induced crisis should not, in principle, violate the competition and equal opportunities for businesses. **What are the rules for receiving EU public aid?**

What are the rules for receiving EU public aid?

Competition

On 23 March 2020, the EU competition authorities associated in the European Competition Network (ECN) issued a collective declaration on the competition law application during the COVID-19 pandemic. The Office for the Protection of Competition also joined the declaration. The ECN considers the COVID-19 pandemic a reason for competitors to cooperate and to jointly ensure supplies and distribution of products in short supply for all consumers.

Following the collective declaration, the European Commission passed the Temporary Framework for assessing antitrust issues on 8 April 2020. It deals with business (competitor) cooperation and reacts to the emergency arising from the coronavirus crisis and its consequences. The Temporary Framework primarily describes the main criteria used by the Commission for assessing cooperation projects that focus on a lack of basic products and services. It also introduces the possibility for the competitors to refer to the Commission, which will assess whether or not the proposed cooperation form violates the competition rules.

The Commission believes that competitor cooperation could be beneficial especially in healthcare. However, the Temporary Framework could also be used in food retail, retail sale of other consumer goods, or in other industries that are crucial from the pandemic perspective. According to the Commission, the cooperation may relate to, for example, the coordination of joint transportation of feedstock through trade associations. In the case of a serious shortage of goods, coordinated production could be possible in order to optimise and increase stock.

However, such cooperation of competitors needs to follow certain rules. The agreement has to be objectively necessary to increase production efficiency with regard to the products and services needed in the context of the pandemic. Furthermore, the cooperation has to last only as long as there is a risk of a shortage of the products and services in question, and last but not least, the cooperation has to be adequate.

Public aid

What is public aid? It is an aid provided by the state (or from the state resources), it distorts or it may distort competition, it is selective as it is beneficial only to some businesses, and last but not least, it affects trade among the member states of the European Union.

On 13 March 2020, the European Commission issued a Communication on a coordinated economic response to the COVID-19 outbreak. It is a summary of the aid that can be provided by the member states. Which changes does it bring about?

The Communication allows the member states to introduce measures that apply to all businesses. These measures are not public aid, and therefore can be implemented without collaboration with the Commission. They may include, for example, wage subsidies. The Antivirus programme in the Czech Republic is an example of such aid.

According to the Communication, the member states can provide financial subsidies directly to consumers, e.g. for cancelled services. Nor these measures constitute a public aid, and they can, therefore, be implemented without collaboration with the Commission. An

example of such a measure introduced in the Czech Republic is the COVID – Lázně (Spa) programme.

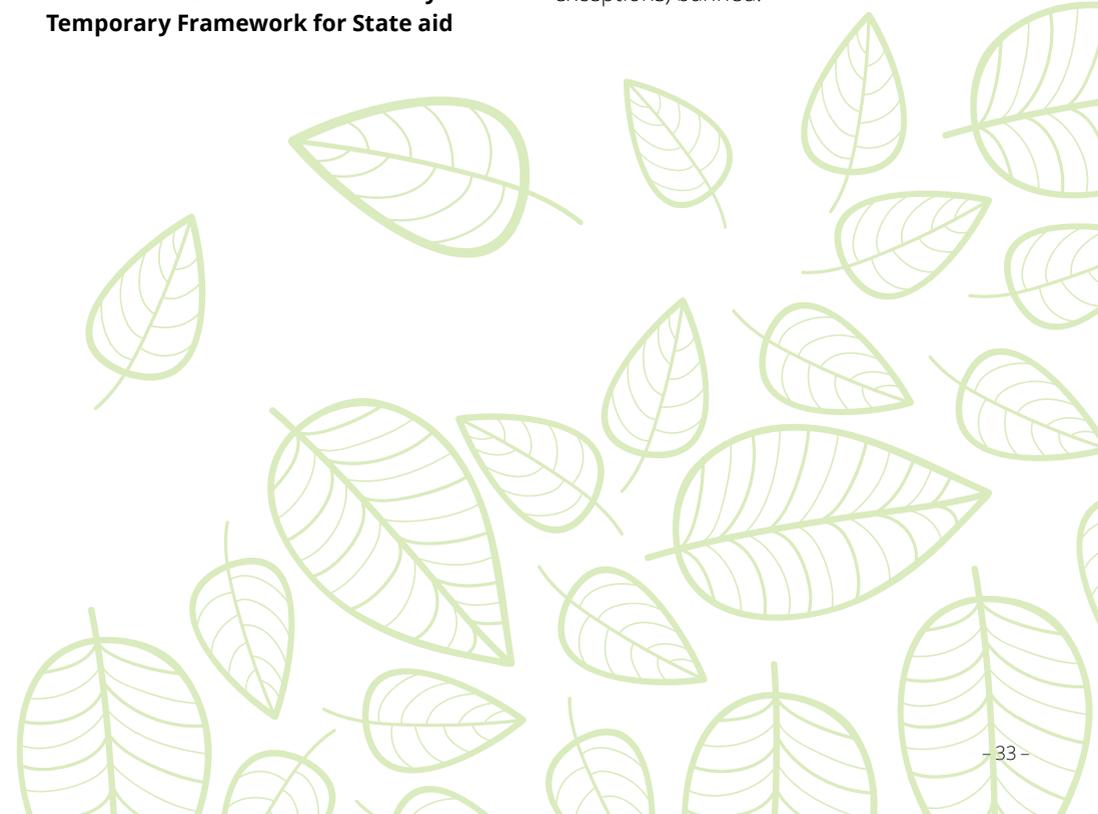
Furthermore, the Communication stipulates that member states can notify the European Union of the introduction of measures related to ensuring the liquidity needs and support of businesses that encounter difficulties due to the COVID-19 outbreak.

According to the Communication, the member states can also notify the Commission of the introduction of measures for the compensation of damage caused by emergencies. These measures are aimed at, for example, hosts of cancelled cultural and sporting events.

The Communication is followed by the Temporary Framework for State aid

measures to support the economy in the current COVID-19 outbreak. This document was adopted by the European Commission on 19 March 2020. The Temporary Framework specifies what aid forms the states can provide. These include e.g. direct grants, selective tax benefits and subsidised loans to businesses.

Since the outbreak of COVID-19, the European Commission has allowed several notified programmes in the Czech Republic. These include, for example, the public investment aid programme Technologie (Technology) COVID-19, a scientific projects programme the COVID – Nájemné (Rent) programme. Under standard circumstances, it would not be possible to provide such aid because public aid is generally (with exceptions) banned.



How can we help you?

It is not easy to navigate yourself in the complex competition rules. If you want to use the public aid offered, but are not sure how to proceed correctly, do not hesitate and contact us!

- We offer consultancy on the possibilities and rules of receiving the EU public aid for businesses;

- We can discuss with you how the pandemic affected the validity of the competition rules;
- We provide consultancy on state aid incl. use of tax stabilisation packages.

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08

Electronic Contracting and Communication with Public Authorities

Do you need to enter into a contract remotely or communicate with the authorities without a physical presence? If you are moving your business into a digital environment, this material provides an overview of the most important points related to electronic contracting and remote communication.

Various options for concluding a distance contract

In Czech law, the principle of informality of legal action applies according to which everyone can choose any form for legal action unless prescribed by law (for example, for transfers of real estate or renting an apartment) or a prior agreement of the parties. Most contracts can be validly concluded orally (by phone). However, for better probative value, the parties often prefer a written form.

A written action may also be validly performed by electronic means and any data associated with the content and used for signing by the acting person may be used for signature. For example, this can include a simple typing of your last name at the end of an email, ticking the box in the online environment, or sending a handwritten signature scan. However, none of these methods can generally be recommended for more significant contracts since in practice, it is almost impossible to prove who actually carried out such an act and whether the document was interfered with in the meantime. For less significant contracts, this legal risk can be reduced by appropriate business setting of the transaction (e.g. advance payments or ongoing payment for services).

Guaranteed, recognised and qualified signatures, or the conclusion of a contract by means of data boxes, provide the form of electronic contracting which makes the evidence more reliable.

Services meeting at least the guaranteed signature level are commercially available.

To obtain a recognised or qualified signature, you must obtain signing certificates with limited time validity from one of the certification authorities. Part of the process is (usually a physical) verification of the identity of the requestor.

Electronic communication with authorities or courts

In case you need to communicate electronically with the state administration, local government or courts, you can use an e-mail signed at least by a recognised electronic signature or send a submission via a data box. As for the submission to the public administration which is done via your data box, there is no need to attach an electronic signature and the submission is delivered immediately.

Submissions can also be served to the courts via the website of the Ministry of Justice ePodatelna or by directly filling in the relevant electronic form (e.g. applications in public registers, applications for the issue of an electronic payment order, selected submissions for insolvency proceedings).

Use of a data box between private entities

Private entities can also communicate with each other through a data box. Data boxes act as a means of electronic delivery with sender authentication (similar to sending a registered mail). However, in contrast to communication with public authorities, you cannot rely on the exact delivery date (the message is delivered only when the addressee logs into the data box interface).

Several conditions need to be met for communication between private entities. First, you must have a data box set up. You must then allow private messages to be received in the section Settings > Credit and Supplementary Services > Receive Mail Data Messages section. Since many business persons did not have private mail receiving activated in the past, this was a significant obstacle for the wider expansion of contracting through data boxes. The situation has recently improved significantly, however, it is not a rule. Nevertheless, there is nothing to prevent the

parties from agreeing on a two-sided activation in advance.

While receiving private mail is free of charge, sending it is subject to a fee. For data boxes, you must also pay attention to the fact that the data box is not used by default to store received documents and all incoming messages are automatically deleted after 90 days from delivery. If the data boxes are to be used for electronic contracting, then it is very convenient to activate a paid service called a data safe, which will keep messages stored in the data mailbox interface for an extended period of time.

Receipt of a contract signed by a recognised or qualified electronic signature

If your business partner sends you a contract signed electronically, it is necessary to take the following steps. First, it is necessary to verify whether it is a recognised or qualified electronic signature or a lower level signature. Standard computer programs (e.g. for reading PDFs) allow you to view the details of the signature, including whether it is a signature based on a qualified certificate and whether it is an electronic signing certificate and whether the signature has been verified. If this information is included in the document, it is a contract signed in the most credible way. You no longer need to print such a contract or request a handwritten signature.

Please note, however, that if the contract is concluded for a longer period, usually several years, then it is necessary to remember the declining possibility of verifying the validity of the signature over time due to the time-limited validity of the signing certificates. If you need to have a contract archived, we recommend that you attach a so-called „qualified time stamp“ to the document before the certificate expires to ensure the integrity of the document, in particular

for any potential dispute over the content of the contract. You must always repeat the process before the validity of the stamp certificate expires.

Electronic signing in relation to foreign countries

Electronic signing is now, to a large extent, uniformly regulated in the European Union under the so-called eIDAS Regulation. A qualified electronic signature from one member state is expressly recognised as a qualified electronic signature in all other EU countries under the eIDAS Regulation. However, even lower forms of electronic signatures from one member state generally meet the conditions for the relevant form in other states since they are subject to the same rules.

Electronic labour law documents

Labour law documents can be formally signed electronically but the Labour Code imposes additional conditions that may present a significant obstacle in the expansion of electronic contracting in labour law relationships. It is worth mentioning, in particular, the relatively strict rules on electronic service, according to which an employee has to give written consent to this method, the document has to be signed with a recognised electronic signature and the employee has to confirm the receipt within three days through a message signed with his/her recognised electronic signature.

What documents cannot be signed electronically

At present, it is not possible to sign documents for which official verification of signature under the Verification Act is necessary or which require the form of notarial record. You will not sign electronically e.g. certain actions relating to the establishment, transformations and dissolution of commercial corporations, the adjustment of your property regimes and, where appropriate, maintenance for the period after the divorce, or the application for setting up a data box and a qualified electronic signature.

Furthermore, documents which require paper form or are, by their own nature, deeds, cannot be signed electronically, in particular securities such as bills of exchange or cheques.

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09

Loan Financing and Implementation of Stabilisation Measures in Relation to the Coronavirus Pandemic

Relationships between borrowers and lenders were tested thoroughly during the COVID-19 pandemic. In regards to the crisis situation, the government thus made legislative changes and passed a bill to regulate selected measures concerning loan repayment and an amendment to the Consumer Loan Act. On the one hand, the stabilisation measures aim to ease the situation for all parties affected by the pandemic; on the other hand, they also bring about a number of rather complicated legal and administrative changes.

What should you be careful of in the area of loans in the post-COVID-19 era?

Legislative changes concerning loans

New legislative changes only apply to specific types of loans. The law specifically defines a loan, financial borrowing, deferred payment and another financial service of a similar nature provided in the Czech Republic. However, the changes do not relate to loans past their due dates by more than 30 days, loan facilities (revolving, overdraft, credit card), operating leases and finance leases without the purchase obligation.

The legal changes apply to loans arranged and used before 26 March 2020. Mortgage loans and loans from a building society are subject to the new rules if arranged before 26 March 2020.

The new rules changed the amount of interest only for consumers (i.e. borrowers). The interest for borrowers is calculated as a repo rate increased by eight percentage points, unless the originally arranged loan is lower. This setting is effective over the so-called protection period.

Protection period and its application

Protection period is a period whereby the due dates of financial debts are postponed. The duration of security as such is also extended by the protection period. Furthermore, the settlement of interest is postponed for individuals by extending the payment schedule. Legal entities pay interest regularly within the original deadlines. The period of loan fixation is also extended by the length of the protection period. Individuals do not have to pay any fees and other amounts during the protection period but related insurance payments still fall due in line with the lender's instructions.

If borrowers want to utilise the protection period, they have to apply for it. The protection period is not automatic and only begins from the first day of the month after filing a request to the lender. The lender must

notify the applicant, within 30 days from filing the request, of the protection period beginning and end and of payments to be paid after the expiry of the protection period.

In the protection period, the borrower must not dispose of their assets which could be used by the lender to settle their claims, with the exception of ordinary management. In particular, the law forbids payments to related parties in a group of entities.

The protection period is effective until the end of October 2020. If the borrower utilises the institute of protection period and this information is provided to debtors registers, it has to be indicated that the protection period relates to COVID-19. In any assessment of the debtor's creditworthiness, the protection period is not taken into account.

How can we help you?

The application of legislative changes concerning loan financing is not a simple task. The complexity and scope of the new rules may be a tough nut to crack for businesses and consumers. Do you need a helping hand in this respect? Do not hesitate to contact us! We can help you:

- Implement stabilisation measures
- Set up capital structures

- Implement refinancing
- Declare an exceptional moratorium
- Claim a tax relief
- Negotiate with creditors

With our assistance, you will gain insight into the latest changes concerning loans, which will enable you to use the full potential of advantages arising therefrom.

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10

Financial Institutions and their Digital Future in the post COVID-19 Era

Banks, insurance companies and other financial institutions repair the damage caused by the COVID-19 pandemic. It is a long process, though several radical changes are expected in the coming months. The onboarding, financial services distribution and client identification – these are services that need to be fully transferred into the virtual environment. The coronavirus crisis did not only validate the necessity of this digitalisation, but it also became a priceless experience which financial institutions can now draw up on during this transformation. **How to provide financial services online during the crisis and afterwards?**

Digital onboarding

Digital authentication and filing of client's data without having to go to the branch. For many financial institutions, it is already a common practice which will become a necessity for all without exception. Whereas online registrations used to be a pleasant "bonus" in addition to traditional visits to a financial institution in person, they are a fully-fledged and often preferred alternative thanks to which clients can go through the whole process quickly from their homes using a PC or a smartphone.

The importance of digital onboarding can be expected to increase even further. The coronavirus crisis was a challenge, which put the efficiency of online registrations and their potential limits to a test. Financial institutions

should focus on the full digitalisation of this process, not only within preparations for another possible crisis. What are the main benefits of online onboarding?

- Less time required
- Reduced financial expenses
- Better access to financial products
- Higher data quality
- No paperwork

It appears difficult to digitalise the onboarding system. Legal regulations and technical demands require special attention and a professional attitude. Are you planning on implementing the digital onboarding tools in your company? Do not hesitate and contact us!

Digital client's identification

Authentication of the client's identity is the most important element of the client's onboarding. However, the coronavirus situation has shown that it is often necessary to go to the branch even for simple identification (e.g. signature of a contract). The substitution of these traditional "physical" authentication methods with online tools is therefore a topic that is frequently heard in the environment of financial institutions.

There is growing demand for easier identification. Not only financial companies,

which try to implement modern, user-friendly authentication process solutions, but also legislators are trying to support these changes as much as possible through amendments to the legislative framework. The rapid development of the BankID project, which facilitates the signing up for eGovernment and commercial digital services, is a proof of it.

We will gladly help you with the modernisation of your current identification system not only strategically, but also technically and in terms of legislation.

Online distribution of financial services

The distribution of financial services digitally is essential to ensure business continuity not only during a crisis.

The transfer of these services to a virtual environment is not an easy task, though. It brings a number of challenges – mainly of a regulatory nature.

A fundamental condition of the process is the compliance of internal policies with AML law. It contains all obligations related to the initial customer identification, to the on-going identification, postponement, reporting of suspicious transactions, etc.

Financial institutions need to put emphasis on correct communication. They should also consider the customer's appropriate

knowledge. Whereas an actual meeting with the consultant ensures that the clients are told all the relevant details, an online contract conclusion means that customers are left to their devices and their own review of the presented information. Especially at this point, specialist customer care is essential.

Virtual service distribution is the future of all financial institutions. There is still a long way to go between downloading the application and concluding the contract and every single step requires special attention. Should you plan on offering your services and concluding contracts in the digital world, we will gladly assist you.

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Regeneration: Acting with due Managerial Care to Prevent and Detect Misconduct in Post-Coronavirus Times

In the post-COVID-19 times, there is increased pressure on companies' managements. They are expected to minimise losses caused by shutdowns, to fully restore business activities and business relationships, and to achieve financial results that were expected before the crisis broke out. During the pandemic and after its end, managements had to be particularly mindful of acting with due managerial care, in order for their decisions not to be questioned in the future. However, the pandemic did not only affect the top levels of companies, as the uncertainty that many employees and managements feel during this period may be reflected in increased misconduct inside organisations.

Business Integrity Services help companies' managements act with due care and effectively minimise risks that can have significant reputational, legal or financial consequences for them and their businesses.

Crisis management

The main obligation of every statutory executive and board member is to act with due managerial care, i.e. to manage the company with the necessary loyalty, knowledge and care. Failing to do that results in the respective member of the management bearing the consequences – in terms of civil law, they are obliged to compensate for the damage inflicted, in terms of criminal law, they may be given a fine or be prohibited from performing activity for 10 years. Even the company itself may be held liable for the misconduct of a member of the management, both in terms of civil and criminal law, and, in the worst-case scenario, it may even be dissolved.

We know that in reaction to the coronavirus crisis, many managements had to act quickly and under stress in many cases, often making

key decisions without the option to carefully analyse all available data and solutions. This crisis decision-making can pose a risk to the members of statutory bodies, since they can later be held liable for their actions during the pandemic.

It is currently vital for any management to regularly monitor the state of its organisation, to identify opportunities for its further growth, and to minimise the impacts of the coronavirus pandemic on the life of the company. We help our clients prevent potential criminal, administrative or civil liability by creating strong and reliable defence files that properly document and justify the decisions made. Our clients can rely on these files in case their decisions are questioned in the future, for example by board members, shareholders, a new owner or even public authorities.

Contact us, if:

- You want to be protected in case the decision you made in a time of crisis is inquired into.
- You want to know whether you acted with due managerial care in a particular case and want to know what the potential consequences of breaching this obligation may be.
- Your company is currently the subject of a police investigation or an inspection by another state authority.

Implementation of an effective compliance programme

Lately, compliance programmes have come into sharp focus. The main purpose of these programmes is to ensure that a company does everything necessary to prevent illegal conduct from happening as part of its activities or in its interest. Therefore, compliance programmes can be defined as a set of intra-company measures of various nature, depending on the size of the company, its organisational structure and the industry it operates in.

For many organisations, the corona crisis was the first real test of how effective and reliable their long-established internal rules and processes are under limited operations. During the pandemic, many businesses faced challenges in the form of the need to immediately adapt their everyday agendas to a crisis mode.

After seeing how (non-)functional the control and reporting mechanisms were during the pandemic, it is apparent that many companies are beginning to take an active interest in streamlining the existing internal processes or introducing completely new ones that have been lacking so far. Many organisations are now seeking suitable investors to finance their post-coronavirus activities, realising that a stable and functioning corporate environment significantly improves their competitive position and increases their value in the event of the sale of their business or the entry of a strategic investor.

The imaginary icing on the cake of a correctly set up compliance system is also the protection of the company against the consequences of an individual's failure, keeping it to a minimum. An efficient compliance programme tailor-made to the company's needs also serves as a shield that protects the business from sanctions being imposed by public authorities.

Our compliance services include:

- Implementation of rules and processes for the handling of company funds, setting up and drawing of internal budgets, and acceptance and giving of gifts – to prevent their misuse;
- Setting up of processes that involve third parties (business partners, suppliers and customers), including searching for new reliable business partners – for a risk-free business;
- Enhancement and implementation of new reporting and approval processes – to ensure efficient internal control;
- Ensuring overall compliance with relevant legal regulations – for the management's peace of mind.

Establishing and managing an ethics hotline

Every functioning compliance programme features not only measures to prevent violations of legal regulations but also tools for their effective detection. One way to quickly detect misconduct in the organisation is to establish an ethics hotline, by way of which employees, management, and even third parties (e.g. suppliers) can report their suspicions of misconduct.

An ethics hotline will soon become a mandatory part of the “compliance package” in a large number of companies. At the end of last year, a directive on the protection of persons who report breaches of Union law was adopted by the EU, which must be transposed into the legal orders of the Member States

by 17 December 2021. The directive imposes an obligation on every company with more than 50 employees and a wide range of public institutions to establish an ethics hotline and to investigate all reported suspicions.

However, an ethics hotline by itself cannot be sufficient, unless the reported incidents are investigated and appropriate measures are subsequently adopted. Apart from assistance with internal inspections, we help our clients set up the respective processes and rules in order for every member of the ethics team to understand their role. It is equally important that employees and management be properly trained to know of the existence of the ethics line and when and how they can report their concerns.

Internal investigation into suspected misconduct

Investigation into suspected misconduct is also an inseparable part of an effective compliance programme. Businesses cannot overlook such suspicions; they need to investigate them properly and then adopt appropriate measures to prevent further illegal activity from happening and to rectify the damage caused. It is important to realise that even a seemingly harmless transgression of employees or management can have serious financial, reputational and legal consequences for the company and its owners, and in some cases may even lead to the company going bankrupt. It is, therefore, the management’s duty to act with due managerial care in these cases as well and to react accordingly to suspicions of improper or illegal conduct inside the company.

Internal investigations into white-collar crime form a significant part of our services. We assist our clients with discreetly investigating suspicions of improper conduct in their company. With the help of our Deloitte experts on forensic investigation, data collection and analysis, we gain valuable information, which is then subject to a detailed analysis. Based on our findings, we recommend our clients a suitable course of action that will help them meet their obligation to act with due managerial care and minimise the negative impacts of the conduct of their employees or management.

The investigation is usually not the end of our work. In many cases, we provide our clients with legal support in terminating the employment of employees, claiming compensation for damage or filing a criminal complaint.

Why is now a good time to invest in an ethics line?

- Not establishing an ethics line may be considered failing to act with due managerial care, with all its consequences;
- You will increase your chances of identifying the misconduct of your employees or managers on time and rectifying it before the police or the media find out about it;
- A quick and discreet rectification of the misconduct in the company will help you save on costs of legal representation in case of criminal proceedings, an investigation by public authorities or a legal dispute;
- You will build a reputation of a highly transparent and ethical company to which business partners and customers will turn with confidence;
- You will increase the value of your company in the eyes of its owners and potential investors.

Our internal investigation is always:

- Discreet – all our consultancy is protected with professional confidentiality and not subject to statutory reporting obligation;
- Effective – using the latest technology, we can efficiently investigate the client’s suspicions, process large volumes of electronic data and find the necessary evidence;
- Multidisciplinary – our team consists of lawyers, investigators and data analysts. We can, therefore, analyse any suspicion from multiple perspectives and prepare a comprehensive report for our clients that also includes a recommended course of action.

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12

Business Restructuring as a Solution to the Economic Slowdown after the Coronavirus Crisis

The consequences of the measures adopted in relation to the coronavirus pandemic resulted in a considerable economic slowdown. This situation brings about a threat of a growing number of issues that may undermine the health of businesses. Under these circumstances, restructuring is one of the possible solutions for firms. At these times, economic management of companies requires an especially prudent approach, as ignoring weaknesses in business management, ill-advised steps in a business or investment strategy, limited access to needed funding, underestimation of legislative changes and many other problems may easily direct companies to an existential crisis. **Do you know how to successfully plan and implement business restructuring?**

Business restructuring and life cycle

The cornerstone of successful restructuring is the fast identification of issues. Only after that, appropriate measures may be sought to immediately stabilise operations and allow for the comprehensive recovery of a company after the coronavirus crisis. This process takes place in the entire life cycle of a company; however, in various restructuring phases, firms have to focus on different risks and challenges.

Turnaround

Implementation of turnaround measures may start at a mere whiff of stagnation. Early identification of causes of the situation enables fast implementation of appropriate remedies. Addressing problems at this stage of a company's life cycle offers the widest range of options to avert a potential crisis.

Capital structure optimisation

High indebtedness or inappropriate financing structure may represent an obstacle to turnaround. Non-operating asset divestment, loan refinancing or additional security for assets may significantly cut a company's costs and avert its exposure to the risk that the company will be unable to settle its loans.

Financial restructuring

A company in difficulties is often exposed to an immediate operational risk due to the lack of liquid funds. Rationalisation of product portfolio, identification of internal resources

and other operational measures may lead to some improvement but they are often just the necessary basis for a comprehensive solution. Financial restructuring may include debt refinancing, temporary repayment suspension, deferment, partial write-offs or entry of an equity partner.

Contingency plans

An increased level of risk at restructuring arises, among other factors, from the fact that the proposed solution may not be accepted by all stakeholders. Namely at later stages of a crisis, it is important to simultaneously work on a backup solution in the form of a contingency plan. If the preferred solution is not accepted, a company should be ready to respond and implement an alternative scenario (which may include insolvency).

Insolvency

If a company and its creditors are unable to agree on an out-of-court solution or if a firm is exposed to the risk of bankruptcy, there is still some space for restructuring as part of insolvency proceedings. If a business is viable and keeping it operational is in the interest of all parties, a bankruptcy solution needs to be considered thoroughly and its implementation should be planned before irreversible steps are taken. In case of insolvency, a company may face additional risks relating to the process as such or risks specific to its business field that need to be addressed.

How can we help you?

Has your firm been hit by the measures related to the coronavirus pandemic and are you looking for ways to recover your business? Do you prefer out-of-insolvency (voluntary) restructuring? Alternatively, do you need a representative purely with respect to insolvency? Whatever your objective, our experienced team is ready to give you a helping hand!

We provide comprehensive economic and legal services thanks to which we are able to quickly and effectively solve the most complex issues. We combine our experience from both professions to offer our clients the best solutions.

Economic services

- We will make an independent economic analysis and solvency diagnosis and prepare financial plan scenarios;
- Based on a financial plan, we will prepare several proposed solutions and provide subsequent project management;
- We will participate in negotiations with the financing entities and business partners;
- We will prepare all necessary economic and legal documents to optimise your capital structure;
- We will assess alternative options of growth and acquisition financing;
- We will provide assistance in refinancing

or negotiations on bank financing;

- If a company is bankrupt, we will prepare and subsequently implement a bankruptcy solution strategy;
- If insolvency proceedings are required, we will:
 - Search for potential providers of loan or off-balance sheet financing for business operation;
 - Prepare economic inputs for reorganisation plans;
 - Negotiate with creditors and other entities to support the solution;
 - Coordinate communication with an insolvency trustee, an expert and creditor bodies.

Legal services

- We represent both creditors and debtors in various types of disputes:
 - As a creditor's representative, we will arrange for claim registration and subsequent defence in insolvency proceedings, communicate with insolvency trustees and creditor bodies, select appropriate process instruments, review the debtor's acts and provide legal assistance in the preparation of insolvency estate sale process;

- As a debtor's representatives, we will review the business condition and propose an appropriate solution to the bankruptcy situation, prepare a reorganisation plan, which we will defend before the insolvency court, analyse receivables, prepare denial acts and communicate with the insolvency trustee and creditor bodies.
- In case of an M&A distress transaction, we will:
 - Make a legal analysis of feasibility of intended transfers;
 - Provide legal services relating to acquisitions of problematic activities;
 - Prepare transaction documentation;
 - Represent the client in resolving disputes between business co-owners;
 - Prepare an agreement on the exercise of creditor rights.

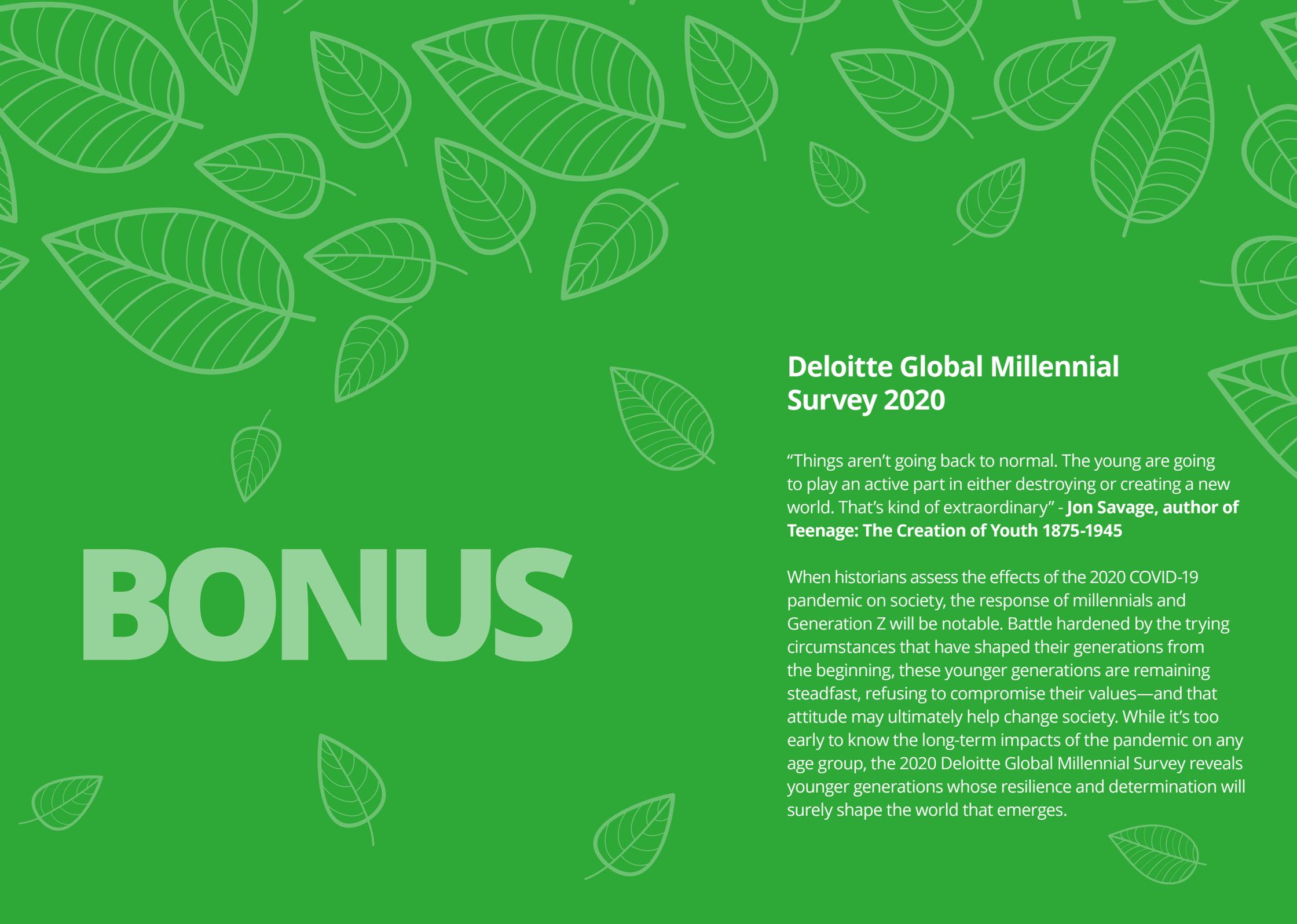
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BONUS

Deloitte Global Millennial Survey 2020

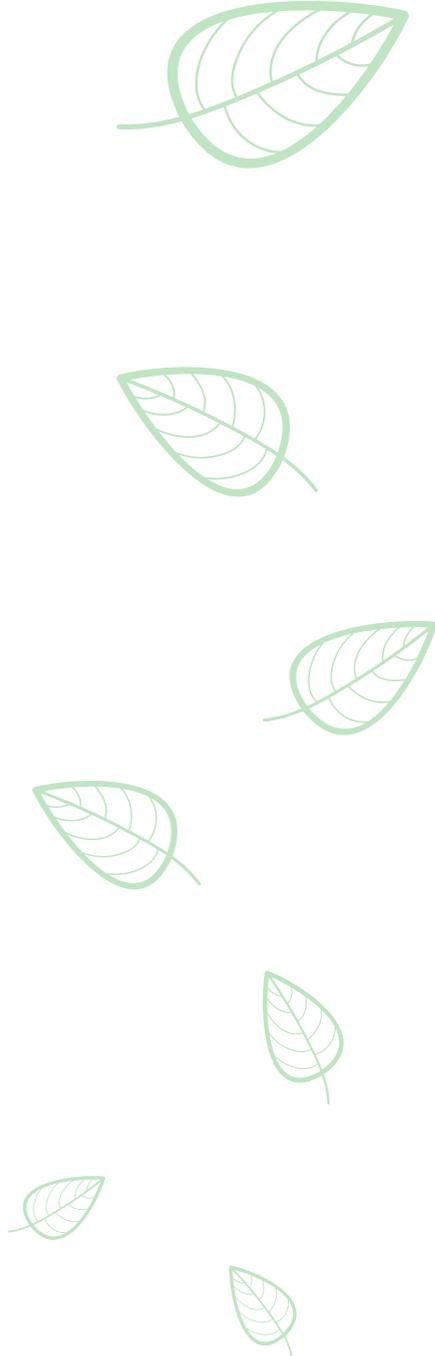
“Things aren’t going back to normal. The young are going to play an active part in either destroying or creating a new world. That’s kind of extraordinary” - **Jon Savage, author of *Teenage: The Creation of Youth 1875-1945***

When historians assess the effects of the 2020 COVID-19 pandemic on society, the response of millennials and Generation Z will be notable. Battle hardened by the trying circumstances that have shaped their generations from the beginning, these younger generations are remaining steadfast, refusing to compromise their values—and that attitude may ultimately help change society. While it’s too early to know the long-term impacts of the pandemic on any age group, the 2020 Deloitte Global Millennial Survey reveals younger generations whose resilience and determination will surely shape the world that emerges.

Throughout the COVID-19 pandemic, organizations around the globe have demonstrated extraordinary agility, changing business models literally overnight. They rapidly employed remote-working arrangements, moved entire business processes to less-affected geographies, and embraced multicompany cooperation to redeploy furloughed employees across sectors. Bureaucracy consistently took a backseat to urgency and results. That ability to embed rapid and nimble decision-making into company cultures will be equally important as business moves forward. The substantial shifts in society, its institutions, and individuals during the crisis have unsettled our familiar structures. These shifts have resulted in significant changes and new uncertainties about the underpinnings of business and society that resilient leaders must address. At the same time, leaders have the opportunity to reboot business with new perspectives and more ambitious goals.

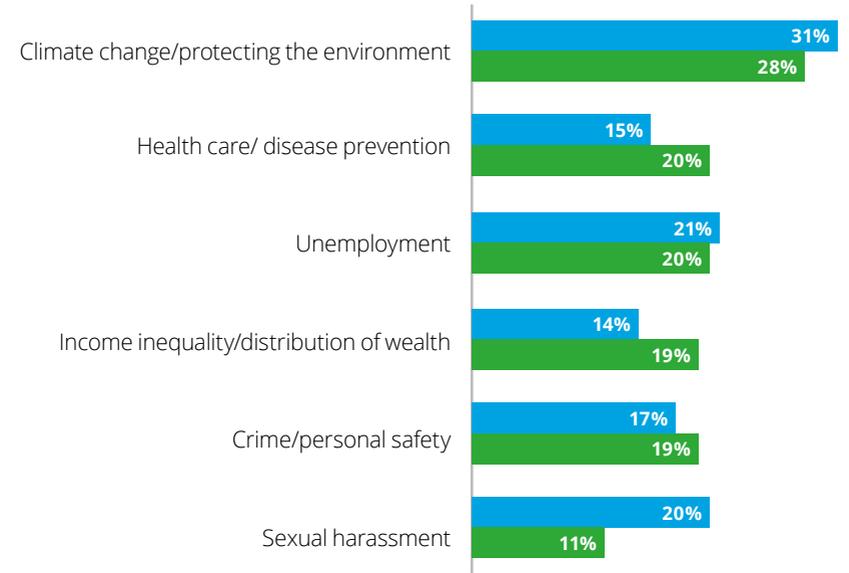
1.Addressing climate change and implementing environmental sustainability programs.

Despite the individual challenges and personal sources of anxiety that millennials and Gen Z’s are facing, their focus remains on larger societal issues, both before and after the onset of the pandemic. The issue of greatest concern before the pandemic—climate change/protecting the environment—remained at the top of the Gen Z list and was virtually tied atop the millennial list, illustrating the importance of environmental issues to these generations.

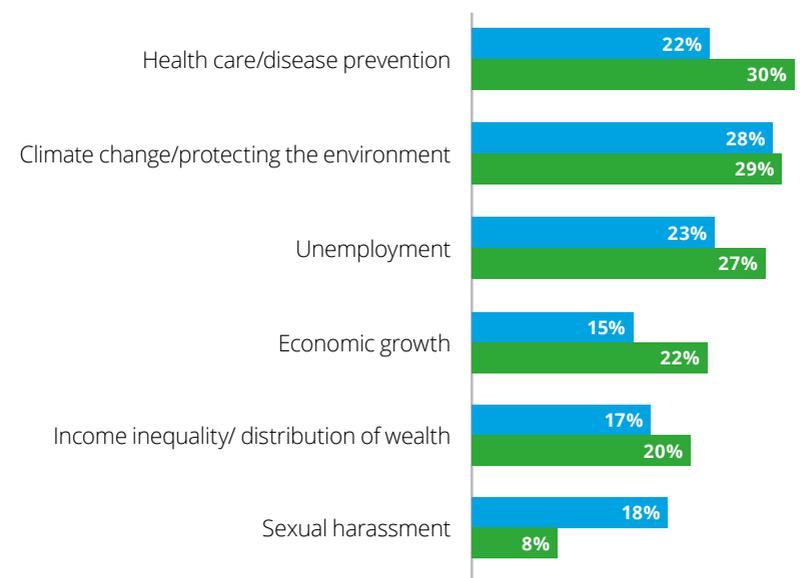


Climate still dominates concerns, while health care rises

Top concerns among millennials and Gen Z (primary survey)



Top concerns among millennials and Gen Z (pulse survey)



■ Gen Z ■ Millennials

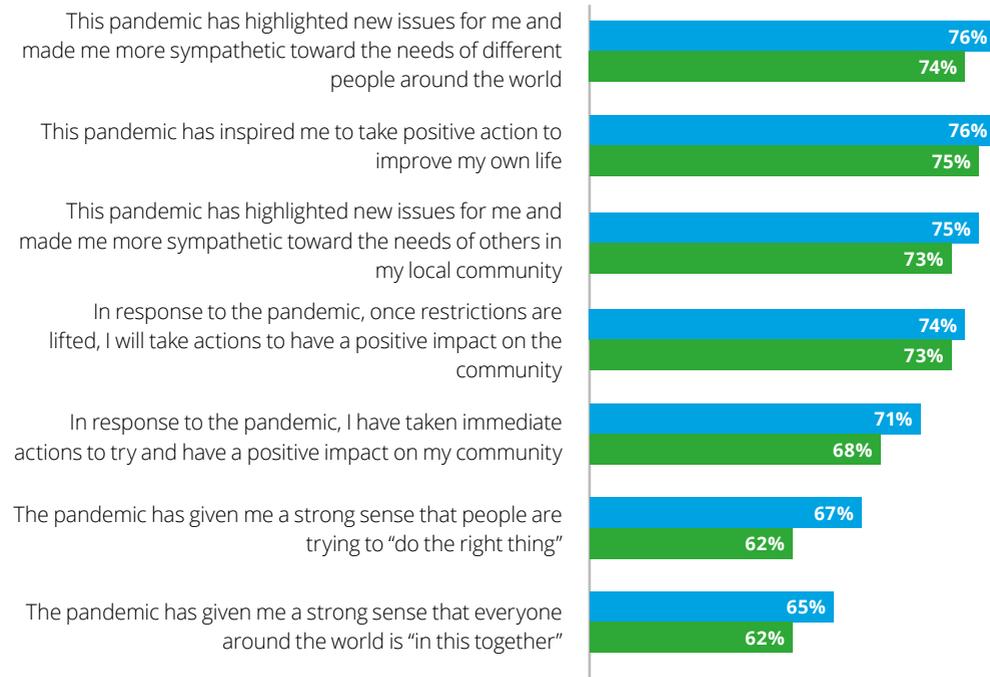
2. Providing more opportunities for employees to be engaged in their communities.

For many millennials and Gen Zs, the pandemic has reinforced their desire to help drive positive change in their communities. Many members of these generations already considered themselves purpose-driven, yet around three-quarters of pulse survey respondents said that the pandemic has highlighted new issues for

them and made them even more sympathetic toward the needs of others in their local communities and around the world. The same proportion of respondents said the pandemic has inspired them to take positive actions to improve their own lives. Almost three-quarters said that once restrictions are lifted, they will take actions that have a positive impact on their communities, with seven in 10 saying they already have done so.

The pandemic has increased empathy and eagerness to make a positive impact

% in pulse survey who agree

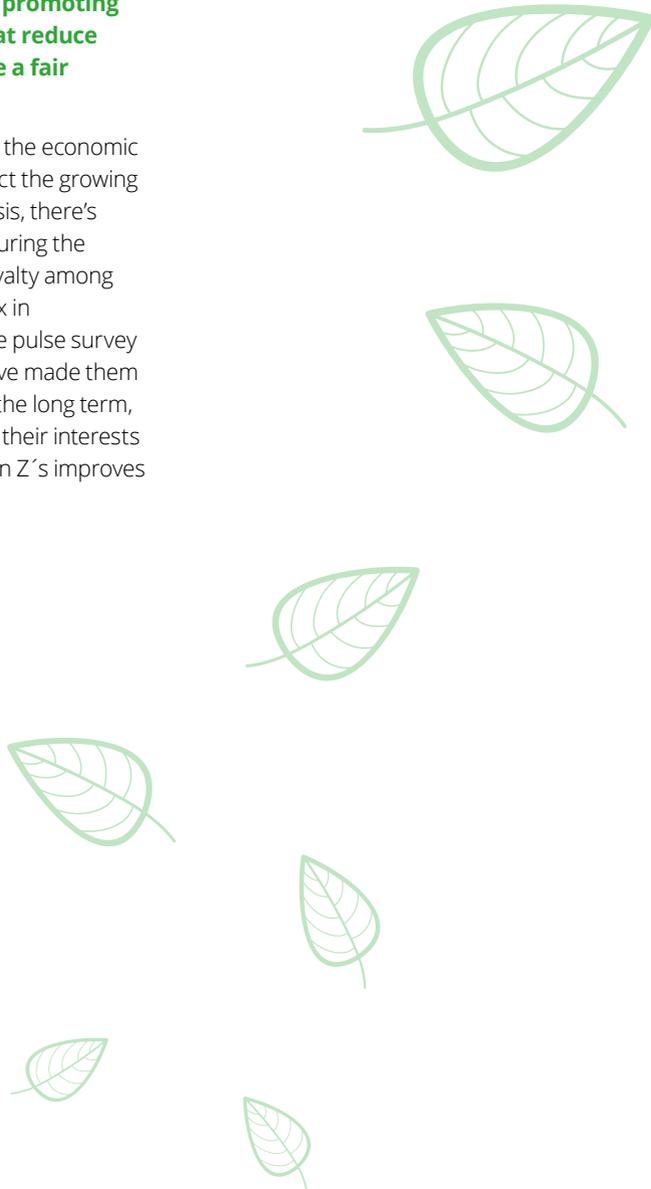


■ Gen Z ■ Millennials



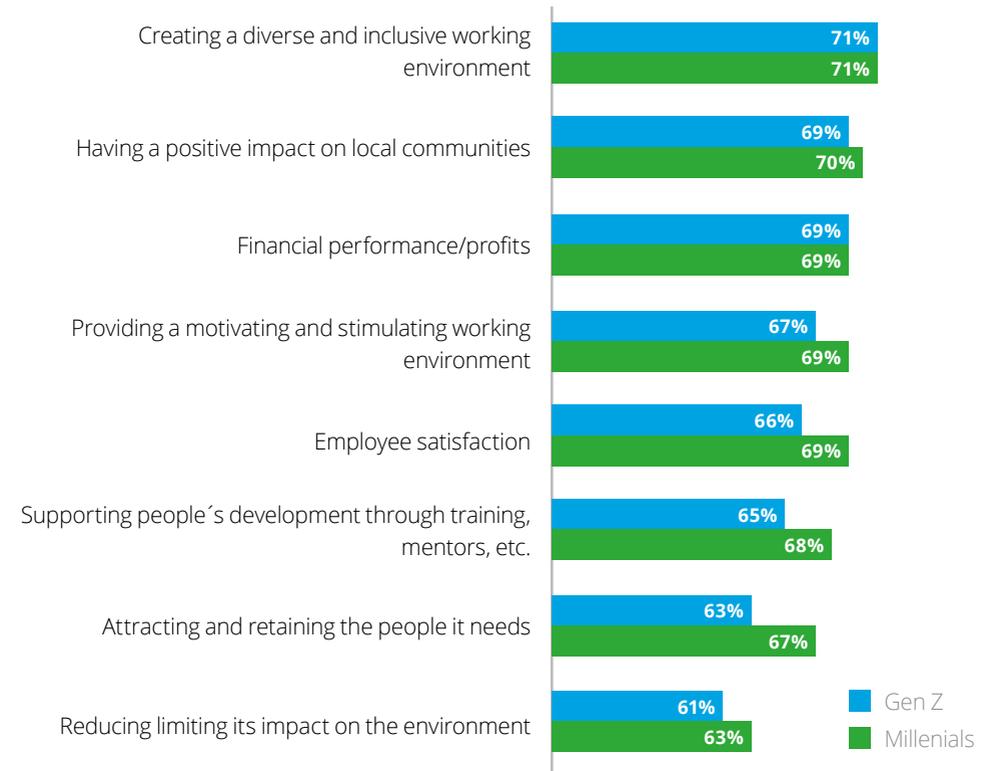
3.Ensuring diversity and inclusion across the organization, and promoting compensation structures that reduce income inequality and create a fair distribution of wealth.

While it remains to be seen how the economic impact of the pandemic will affect the growing loyalty expressed before the crisis, there's evidence employers' activities during the pandemic may have boosted loyalty among those still working. More than six in 10 employed respondents of the pulse survey said their employers' actions have made them want to stay where they are for the long term, proving how employers aligning their interests with those of millennials and Gen Z's improves employee retainment.

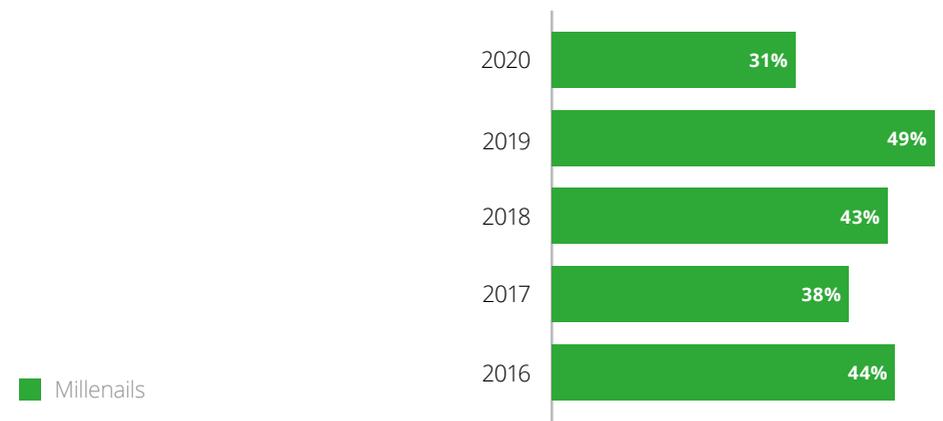


Employers doing more to align with millennials' and Gen Zs' interests (primary survey)

% in selecting performing very/fairly well in...



Percent of millennials who expect to leave in the next two years:

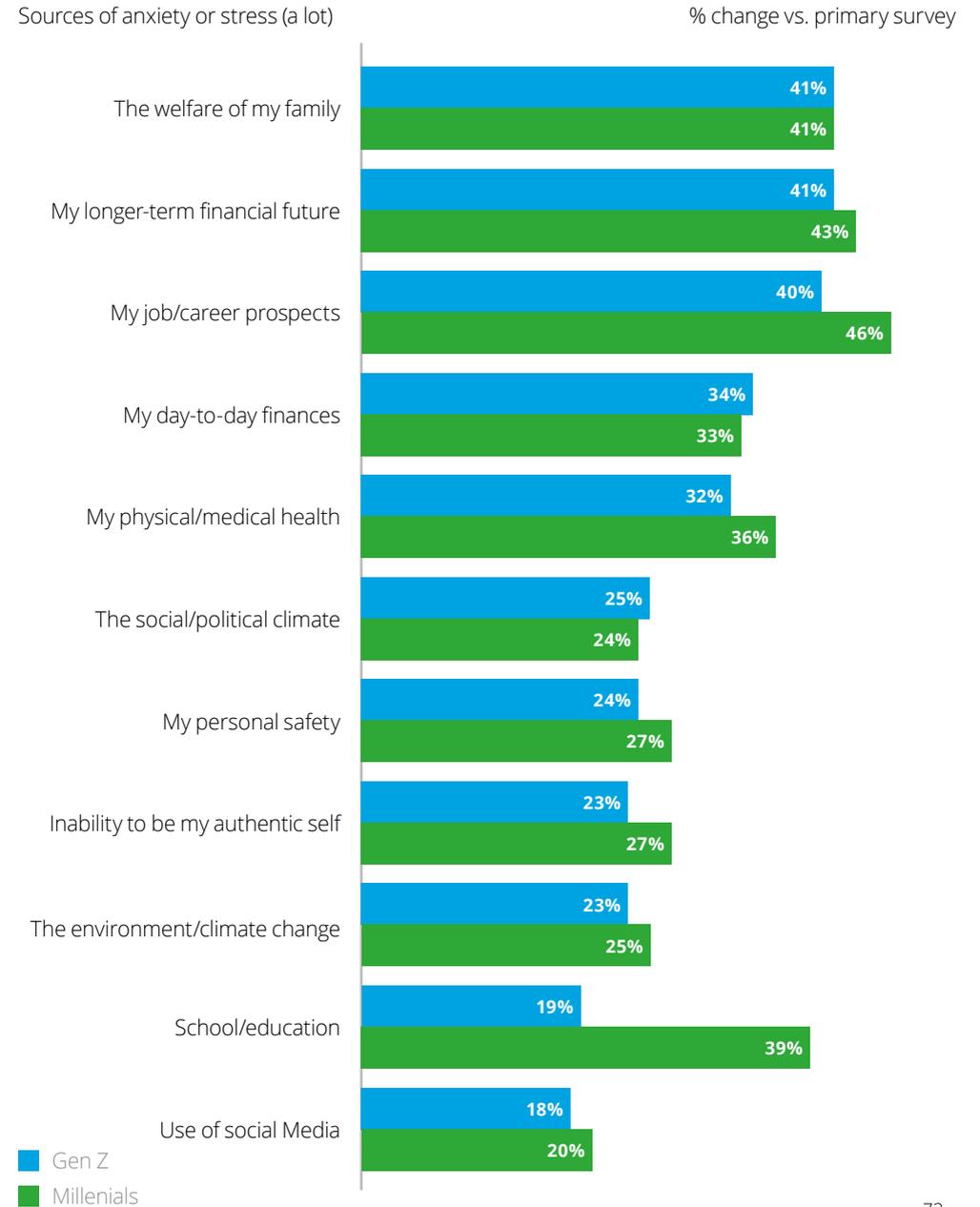


4. Finally, employee mental health should be a priority for employers, if it's not already.

All employers should research and understand the root causes of mental health challenges among workers in general, and their own people in particular—and create or update programs based on their learnings. Effective approaches are good for people and good for business. While the pandemic did unexpectedly result in a dip in stress, there are still concerns that keep millennials and Gen Zs up at night. Three topics stood out for both millennials and Gen Zs in the pulse survey, both before the pandemic and after: family welfare, their longer-term financial futures, and their job/career prospects.



Family, financial future, and job prospects remain the primary sources of stress (pulse survey)



Conclusion:

The demands and priorities of these younger generations will come to bear in the post-pandemic world. This survey has shown that they are committed to creating a better and brighter future on the other side of this crisis, with the pandemic highlighting the high stakes of the systemic societal problems against which they have always reacted. Millennials and business leaders can and should work together to build a more equitable world.

We are at a pivotal point—the world is changing quickly, for better or worse. Together we have an opportunity to use this moment in time as a chance to reset and create a brighter world. Our future, and the future of generations to come, depend on it.

Millz Mood Monitor

The 2019 Millennial Survey began gauging the mood of respondents using an index intended to provide an annual snapshot of millennials' and Gen Zs' optimism that the world and their places in it will improve. The 2020 index, based on results of the primary global survey, showed a slight decrease in hopefulness—but the pandemic-influenced index derived from the pulse survey reflected significant drops in optimism. Index scores are based on the results of five questions:

Economy. Do you expect the overall economic situation to improve, worsen, or stay the same over the next 12 months?

Social/political. Do you expect the overall social/ political situation to improve, worsen, or stay the same over the next 12 months?



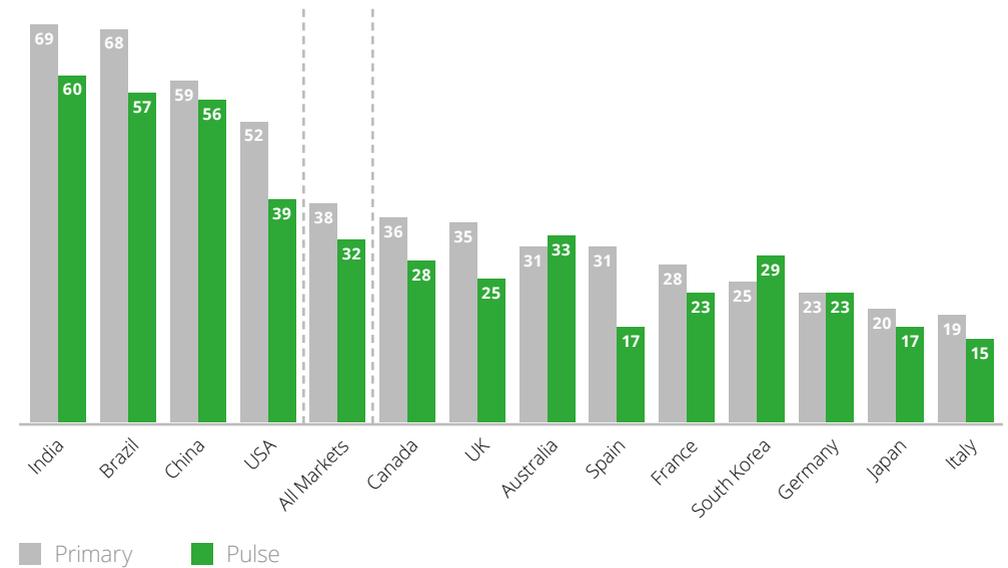
Personal finances. How do you expect your personal financial situation to change over the next 12 months?

Environment. Are you generally optimistic or pessimistic that efforts to protect and sustain the health of the planet will be effective?

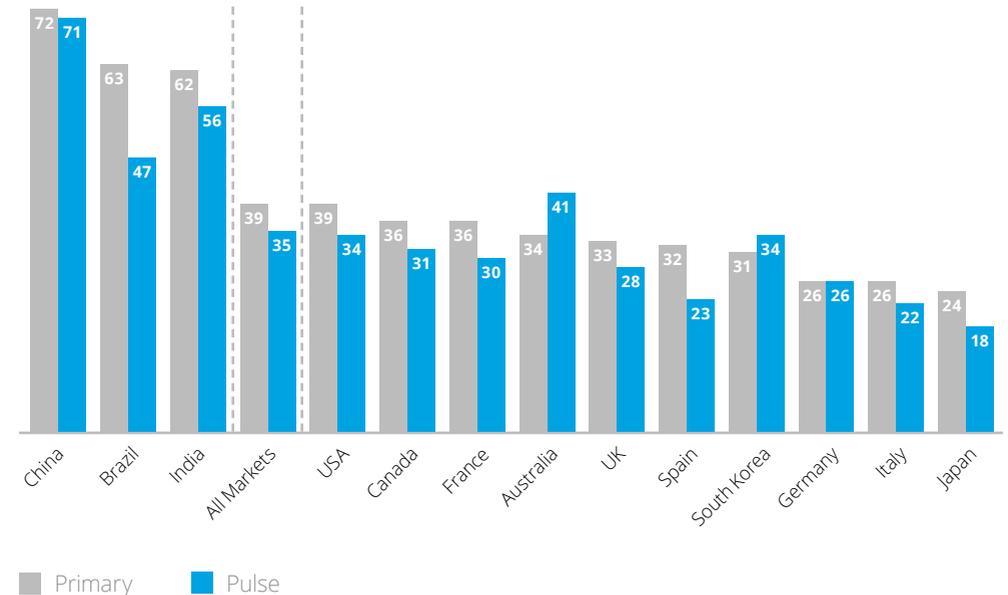
Business. What impact do you think businesses are having on the wider society in which they operate?

Composite scores are calculated and expressed on a scale ranging from zero (absolute pessimism) to 100 (complete optimism). This method gives us the ability to compare not only periodic movement but regional and demographic groups within a given year.

The Millz Mood Index: Millennial scores by country



The Millz Mood Index: Gen Z scores by country



Survey Methodology

The 2020 report is based on two sets of surveys. The first began prior to the COVID-19 outbreak using an online, self-complete-style interview; fieldwork was completed between November 21, 2019, and January 8, 2020. A second survey was conducted in a similar fashion between April 28, 2020, and May 17, 2020, in the midst of the worldwide pandemic. The initial survey solicited the views of 13,715 millennials across 43 countries and 4,711 Generation Z respondents from 20 countries. The subsequent survey questioned 5,501 millennials and 3,601 Gen Zs in 13 large markets that were affected by the pandemic to different degrees. No respondents in the former survey were queried in the latter.

The report represents a broad range of respondents, from those with executive

positions in large organizations to others who are participating in the gig economy, doing unpaid work, or are unemployed. Additionally, the Gen Z group includes students who have completed or are pursuing degrees, those who have completed or plan to complete vocational studies, and others who are in secondary school and may or may not pursue higher education.

The answers provided by millennial and Gen Z Millennials included in the study were born between respondents often were similar. The overall sample size January 1983 and December 1994. Generation Z of 27,528 (18,426 in the first survey, 9,102 in the second) respondents were born between January 1995 and represents the largest survey of millennials and Gen December 2003. Zs completed in the nine years that Deloitte Global has published this report.

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