



## **New Requirements of the Report on Relations**

Just as in the past years, also this year most companies have to draft a Report on Relations by March 31 at the latest. However, this year the Reports on Relations for 2014 will be regulated, for the first time, by the new rules resulting from the recodification of private law.

The new legislation requires a much more detailed Report on Relations than it has been till now. In particular, more accent is put on the description of the entire structure of a corporate group and on the description of an actual position or a role of the controlled person in such structure. It will also be necessary to give a detailed description of all contracts concluded within the respective group, or a description of the making acts at the instigation of or in the interest of other persons within the group. If damage was caused to a company as a result of being influenced by another entity from the group, the Report has to state such information including the method of compensation of such damage. Furthermore, companies are now requested to describe advantages, disadvantages or risks resulting from their position in the respective group and include that information in the Report on Relations. Thus, the drafting of the Report on Relations will substantially be more demanding than previously.

Just as under the previously effective legislation, it is an executive body of a controlled company, i.e. the Executive Director or the Board of Directors, who is to draft the Report, and they need to do so with due managerial care. Another novelty is the right of each qualified member / shareholder of the company to apply to the court for appointment of an expert to review the Report on Relations. However, the costs of drafting such expert review are born by the company itself unless the motion of the qualified shareholder was apparently vexatious, the expert found no errors in drafting the Report, and the court adjudicated on a different method of coverage of costs upon a proposal of the company.

A Report on Relations is put into the registry of documents. We would like to point out that upon a breach of this duty, the court may, even on its own initiative, open proceedings to dissolve the company with liquidation or to impose a fine up to 100,000.00 CZK.

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[Back](#) <



