

Czech Business Today

REACHING AGREEMENT ON CORPORATE SUSTAINABILITY DUE DILIGENCE

Member States have given the green light to the agreement reached in the trialogue on the sustainability of businesses in the field of due diligence. This is a significant disappointment for business. On 15 March 2024, at a meeting of ambassadors, Member States gave their thumbs up to an agreement on the text of the Directive on the corporate sustainability due diligence that goes well beyond the general approach reached in the Council in November 2023.

BusinessEurope Director General Markus J. Beyrer commented on the outcome: "The new due diligence rules bring unprecedented obligations and set tough sanctions with potential existential consequences for companies. SMEs, although theoretically outside the scope of the Directive, will be negatively affected as they form the largest part of value chains. We regret that many fundamental issues have been left unresolved. Industry has always been ready to be a constructive partner and work towards achieving workable and harmonised EU rules on this important issue."

"This is bad news for business as the new regulations will further weaken the competitiveness of Czech and European companies. It is no coincidence that other European associations also find this problematic. From the point of view of the Czech Confederation of Industry (SP CR), this is another blow for companies, which will further complicate doing business in Europe at a time when European business is sounding the alarm," comments Daniel Urban, Director General of SP CR, on the adopted Directive.

The general approach reached in the Council, even though it was not the most ideal result for business, was still a tenable compromise and firm red lines. After the start of the trilogues, the effort was to keep the text as close as possible to the general approach and to avoid amendments by the EP, which returned the proposal to the same beginning.

Business called for meaningful harmonisation and for a clear and tangible approach that would encourage European companies and help them contribute to more sustainable supply chains. Due diligence should be seen as a positive measure under international frameworks - not as a means of punishment. Due diligence has value in identifying problems and risks to kick-start a process of trust throughout the chain.

For SP CR, it is a disappointment and another blow to the businesses on which the future prosperity of the EU depends, kick-starting growth and new jobs. SP CR has been actively involved in the

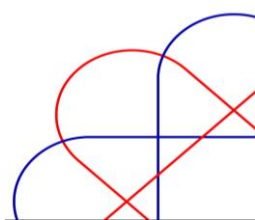
Negotiation process through BusinessEurope and in intensive cooperation with, the Ministry of Justice of the Czech Republic, responsible for this proposal.

Source: Vladimíra Drbalová, Confederation of Industry of the Czech Republic

In addition The representative of the Czech Chamber of Commerce, Alena Mastantuono, adds:

"The proposal shifts the duty of control from the state administration to the private sector and assumes that companies can influence a complex supply chain that often spans several countries and continents. However, suppose the public administration is unable to control and intervene in third countries. In that case, neither are the businesses themselves, who face fines for non-compliance of up to 5% of their net worldwide turnover or reputational risk. Because of the lack of guarantees, companies fear that this instrument could be used to damage them unjustifiably".

Source: idnes.cz, Alena Mastantuono



PROPOSED AMENDMENTS TO LABOUR LAW THREATEN VULNERABLE GROUPS: CONCERNS RAISED BY CZECH CHAMBER OF COMMERCE

The governing coalition could negotiate agreement modifications as early as this week. Discussions in the expert group suggest that the current rules could continue to apply to the contract that a company with a contract employ first reports to the Czech Social Security Administration (ČSSZ). Insurance premiums would only be paid on it if the monthly earnings at the company exceed roughly CZK 10,000, as is the case today. Employers have reduced the number of agreements in response to legislative changes to agreements on work performance and work activity, triggered by amendments to the Labour Code and the consolidation package. They often redistributed work among other employees, hired self-employed persons or converted agreements into part-time or full-time jobs. They also hire more workers under different contractual arrangements, such as work contracts, or use the services of employment agencies. Around 30% of employers in Czech Republic reported that the government changes had no impact on the employment of contract workers in their firms. This is according to a new survey by the Chamber of Commerce of 457 businesses across the Czech Republic.

In the Czech Republic, large firms with over 250 employees were the most likely to reduce the number of contract employees. Also 60% of large firms redistributed their work at least partially among other employees. Compared with a significantly higher proportion in different sectors, personal services firms were the most responsive, with only one-fifth of them making no changes to contract employment.

Changes to the rules on employment outside the employment relationship were introduced by the amendment to the Labour Code and, in addition, by the government's consolidation package. Employers must now schedule the working hours of employees on agreements at least three days in advance. Contract employees are also now entitled to holiday pay and extra pay for working on weekends and public holidays.

In addition, the consolidation package introduces an obligation for employers to report contingent contract employees to the ČSSZ from 1 July this year. At the same time, when agreements with several employers coincide, and the limit is exceeded, the employer will be obliged to pay social and health insurance on the remuneration and will have to pay it back, which will massively increase bureaucracy and uncertainty for employers in personnel planning.

Among other things, the Czech Chamber of Commerce (HK CR) is concerned that the employer will not know until the last moment how much the contract employ will cost him in the end. It is also concerned that the parametric adjustments will reduce the participation of specific population groups, such as students, mothers on parental leave or the elderly, in the labour market, which HK CR has long recommended to increase due to unfavourable demographic trends. It has, therefore, challenged the adjustments to the agreements both in the inter-ministerial comment procedure and during the approval of the recovery package.

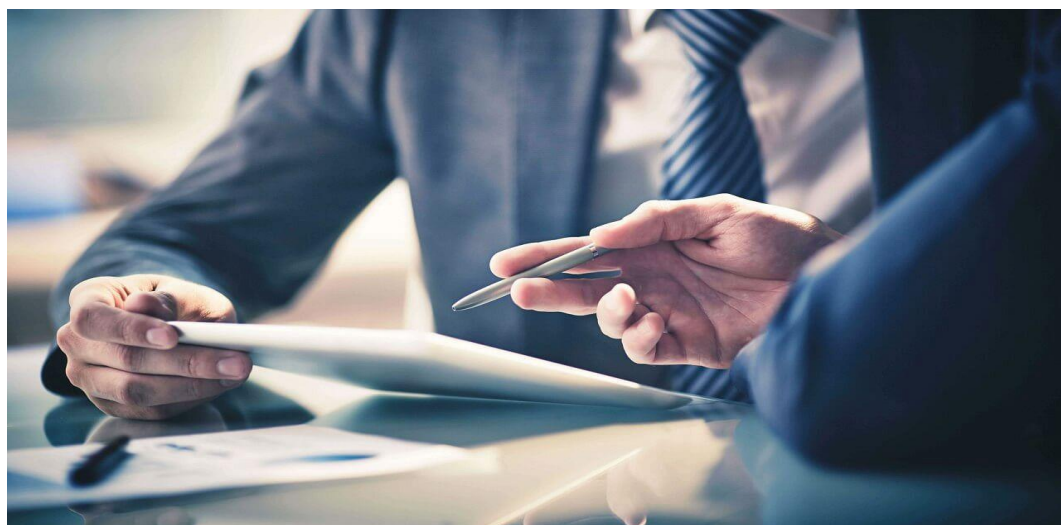
The government coalition could discuss the agreement modifications as early as this week. Discussions in the expert group suggest that the current rules could continue to apply to the contract that a company with a contract employ

first reports to the ČSSZ. Insurance premiums will only be paid on the contract if the monthly earnings at the company exceed roughly CZK 10,000, as is the case today.

According to earlier surveys by the HK CR, 93% of employers provide work on agreements. Thus, over 250,000 employers must adapt to the new rules. Companies mainly employ students, seniors, and mothers on parental leave.

The government has decided to severely restrict agreements because of the practice of people avoiding paying insurance premiums by entering into agreements with many employers. According to the Ministry of Labour and Social Affairs' calculations based on data from 2021, insurance contributions are not paid on more than CZK 50 billion of agreement earnings in the Czech Republic, which deprives the social security system of about CZK 15 billion a year. This is why the HK CR is calling for the rules to be adjusted so that the agreement for earning extra income remains simple and advantageous for those who want to increase their income through their own activity.

Source: komora.cz



CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.

DIGITAL SAFARI. ARTIFICIAL INTELLIGENCE CAN ENHANCE COMMUNICATION BETWEEN TRADERS AND THE STATE

FLASHNEWS

The Ministry of Industry and Trade of the Czech Republic (MPO) is exploring ways to integrate artificial intelligence (AI) into trade licence processes to streamline communication between traders and the state. As part of the development efforts of the Trade Business Portal, the Ministry organised a "digital safari" with a focus on incorporating AI elements into the portal's design and improving the overall user experience.

The roundtable was attended by representatives of academia, including the University of Mining and Metallurgy—Technical University of Ostrava and, the Czech Technical University in Prague, and the Czech Association of Artificial Intelligence and Business.

"Our safari provided an excellent opportunity for an unconventional discussion and sharing of interesting ideas using this innovative technology. We firmly believe that AI can significantly contribute to the development of a unique digital platform, such as the portal already represents today, which entrepreneurs utilize to engage with the state in arranging their affairs under the Trade Licensing Act," says Jan Strakoš, Director of the

Department of Trade and Consumer Legislation, adding: "We have encountered several interesting ideas and witnessed a practical demonstration of integrating a virtual assistant into the process. I am confident that entrepreneurs have much to anticipate in the future, as AI will help us to move forward and streamline processes, benefiting both the state and the business community."

MPO has long been involved in enhancing services for businesses and the non-business public. Last year, the Department launched a new Trade Business Portal at <https://www.rzp.cz/>, which significantly expands the existing Trade Business Register services for the public. For example, the website offers a guide to trade business, a directory of trade offices, and a search for public data in the Trade Register. The logged-in user has a number of useful functions at his/her disposal; among other things, he/she can report discrepancies in his/her data or make a submission to the trade licensing office.

Source: mpo.cz

THE EU WILL RELEASE OVER 70 BILLION TO THE CZECH REPUBLIC FIRMS AND HOUSEHOLDS FOR ECOLOGICAL PROJECTS

The European Union will allocate over 70 billion crowns to the Czech Republic for ecological projects. The money comes from the EU Modernization Fund, which uses revenues from trading emission allowances. Part of the funding, approximately 32 billion crowns, will be allocated to the construction of photovoltaic power plants, while 22.4 billion crowns will go to the modernization of transport, including rolling stock and mass transport. Another 12.5 billion crowns are reserved for investments in the heating industry, with the aim of reducing carbon dioxide emissions. In total, the Czech Republic received 267 billion crowns from this fund.

CZECH NATIONAL BANK CUTS BASE INTEREST RATE TO 5.75 PER CENT

On the 20th of March, the Czech National Bank's Bank Board cut the base interest rate to 5.75 %, making interest rates on mortgages and corporate loans therefore expected to fall. The Bank Board's decision should not significantly impact the exchange rate of the Czech crown, as the currency is technically stable. The last interest rate this low was almost two years ago. Analysts expect that the current pace of the reduction will not slow down; in fact, there is a real possibility of it gaining momentum.



CALENDAR

23.4. Debate of CEBRE in Plzeň

„The Czech entrepreneur as part of European business“

EESC: POSTING DRIVERS: TWO YEARS WITH NEW RULES

The topic of posting drivers in road transport aroused great passion during the discussion of the European mobility package. The reason was that carriers from countries with lower costs, i.e. often from Eastern European countries, began to compete on price with carriers from Western Europe. Carriers from western EU countries have fought against low-cost competition by winning protectionist measures from domestic governments, which were subsequently to be covered by the mobility package presented by the European Commission in May 2017.

Drivers are highly mobile workers and often drive through several territories in a day, which complicates calculation of their pay when posted. For this reason, specific transport operations were defined as excluded from rules on posting, while cabotage and cross-trade operations are considered as posting. The special rules apply from 2 February 2022, with not all member countries implementing or fully implementing the rules to date.

Less than two years after the introduction of the rules into practice, there is an opportune time for their evaluation. It is therefore no coincidence that the current Belgian Presidency of the Council of the EU asked the European Economic and Social Committee (EESC) last year to assess the application of the rules in practice. The response to this call was the adoption of the EESC opinion in December last year, which contains a number of recommendations for the EU institutions. The recommendations were presented at high-level conference on road control organized by the Belgian presidency on 24 February and discussed with EU institutions and stakeholders at the event held on 4 April.

When a driver is posted, the calculation of his or her remuneration depends on the applicable national regulations. This also involves a number of administrative duties, changes to the range of documents present in the vehicle during the operation or changes to the range of data entered into recording devices.

The aim is to ensure higher remuneration and better working conditions for drivers, if these are higher in the country of posting than in the country where their employer is established. But this presupposes that the carrier knows all applicable national provisions of the host country, i.e. not only the minimum wage, but also extensive regional or sectoral collective agreements, as well as the principles of equal pay or other components of remuneration. Member States are required to publish this information on national road transport websites. However, the information on the website is not always up-to-date. For this reason, the EESC pointed out that the published information must be up-to-date and ideally in all EU languages, so that carriers and their drivers can understand it.

The complex calculation of rewards is poses a challenge for carriers. Therefore, the EESC suggested developing a digital application to calculate the remuneration of posted drivers in real-time. It would aid carriers with the calculation and simultaneously enhance enforcement efficiency. The private sector already offers such an application, available to carriers. The committee's proposal primarily targeted the European Commission, urging to secure the application at the European level and provide it to carriers at an affordable price. With economies of scale in mind, having more users would reduce the price. The committee emphasized that digitization should be used as an accompanying tool for the application of the rules.

The EESC also recommended that Member States intensify their efforts towards fully digital paperless enforcement, including the introduction of the electronic consignment note and e-CMR, and the active use of the Internal Market Information System (IMI). IMI facilitate the exchange of information related to the report on the posting of a worker. According to the Commission's information, the system is utilized and

accepted by transport companies, but so far only 14 member states are actively engaged in it. The committee called for a smooth transition to Generation 2, version 2, of Smart Tachograph. In this regard, it proposed harmonized exemptions at EU level considering the high costs for entrepreneurs and urged the European Commission and Member States to explore incentives and special training for the road transport sector to accelerate the deployment of the second generation smart tachograph.

A fundamental role in the application of the rules is played by the European Labor Authority (ELA), based in Bratislava, whose task is to ensure a coordinated interpretation of the package of measures and control methodology. In this context, the EESC called on the ELA to create an EU-wide single point of contact for national information on the implementation of the rules on the posting of drivers in national law in order to help the sector - which is mainly made up of small and medium-sized enterprises.

Last but not least, the EESC pointed out that the experience with the implementation of the package is relatively limited due to the weak enforcement of the rules during the covid-19 pandemic and the slow implementation of the rules by some member states. Therefore, in the opinion, the Committee called on the Member States to fully implement the provisions of the package of measures in the field of mobility and to ensure a uniform interpretation of the rules.

Alena Mastantuono, EESC Member and EESC rapporteur for the opinion on posting of drivers

Also published on Komora+



CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.