



Weinhold Legal

Legal Update

SEPTEMBER 2026

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News in Legislation

Draft Amendment to the Act on Accounting and New Rules for ESG reporting

The government proposal for a comprehensive amendment to the Act on Accounting is headed to the Chamber of Deputies. Its goal is to implement the EU's Corporate Sustainability Reporting Directive into the Czech legal system. This legislative change, which is scheduled to take full effect on 1 January 2027, represents a major change for the corporate clients as it is expected to significantly **expand companies' disclosure obligations in the area of non-financial reporting**.

The draft amendment newly introduces an obligation for a specified scope of large and medium-sized enterprises to prepare a sustainability report as a clearly separated section of their annual report. In this document, the affected entities are expected to provide a detailed and structured account of **the impact of their activities on sustainability** (environmental, social, and human rights matters), while also disclosing how these risks affect the development, performance, and financial position of the company itself. In this context, the statutory framework formally introduces the principle of **double materiality**. This way, companies are supposed to demonstrate not only how sustainability-related risks affect their own financial results, but also the impact of the company's activities on its surrounding environment and society. Together with these changes, accounting terminology is set to undergo a comprehensive update to align with modern European standards.

The new regulation is also expected to have a significant impact on the area of corporate governance. The statutory body of the company will hold full responsibility for ensuring that the sustainability report is prepared in accordance with the relevant European Sustainability Reporting Standards (ESRS). The draft amendment also introduces a requirement for these reported sustainability disclosures to undergo a mandatory assurance by an independent auditor. This should entail new operational and procedural demands for companies.

Although the new act is expected to take effect with a deferred date following the completion of the legislative process, the parliamentary print itself sends a clear signal to the corporate sector to begin gradual internal preparations in advance. As soon as the legislation is finally enacted, affected companies will be required to have established their internal processes in good time and aligned their supply chains accordingly.

New EU Regulation: Public Procurement Act

On 9 September 2026, the European Commission introduced a new legislative proposal that aims to bring a significant reform to the EU public procurement law. Instead of the existing fragmented framework based on three separate directives from 2014, the Commission a **single regulation directly applicable in all Member States**. Legal and industry experts consider this to be the most significant structural shift in EU public procurement in the past thirty years, making a decisive transition away from minimum harmonization toward maximum uniformity.

From the standpoint of legal and corporate practice, the shift from a directive to a regulation is crucial. This step aims to remove the need for national transposition and introduces **a uniform set of legal rules across the entire Union for all public contracts exceeding the statutory financial thresholds**. The objective is to standardize procurement procedures and definitively eliminate national fragmentation and gold-plating which have so far significantly complicated cross-border participation in procurement procedures.



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for suppliers. In the Czech context, the adoption of this regulation would mean largely replace the Czech Public Procurement Act (ZZVZ) for above-threshold contracts. Domestic legislation would likely be left to cover only below-threshold contracts and the specific oversight procedures of the Office of the Protection of Competition (ÚHOS).

A key new feature introduced by the proposal is the **Buy European preference mechanism**. This instrument aims to actively strengthen the position of EU suppliers and prioritize European goods and services within the internal market, particularly in the sectors strategic to technology or security. By introducing this preference, EU legislation responds to global economic challenges and the increasingly assertive subsidy policies of third countries. s. At the same time, the proposal places **much stronger emphasis on sustainability**, turning environmental and social criteria, which were previously often optional, into mandatory requirements for tenders.

Although the proposal is still at the very beginning of the European legislative process and will undoubtedly undergo complex negotiations in the European Parliament and the Council of the EU, it sends a clear signal about where the Union is heading in this matter. Looking ahead, this anticipated unification of rules may well demand a fundamentally transformed strategic approach to public procurement as a whole.

Case law updates

Conflict of Interest on the Part of an Employee and the Severity of the Breach of Employment Duties

(Judgment of the Supreme Court of 22 July 2026, File No. 21 Cdo 3270/2025)

The Supreme Court addressed whether an employee's lack of direct financial gain from a competing activity and the one-off nature of the conduct reduce the severity of a breach of employment duties enough to preclude valid termination by notice. The court examined the case of an employee who entered into a transaction on behalf of his employer under an evident conflict of interest and subsequently engaged in competing activity directly related to that very transaction.

In the case at hand, a leasing company issued a notice of termination to an employee for a serious breach of employment duties. The employee had arranged a commercial vehicle loan at the leasing company where he worked for a business owned by a close personal contact. e secured management approval for a substantially discounted interest rate while concealing his personal relationship with the client. A few days after signing the contract, he sent the client a loan of 140,000 CZK from his personal account and later another 30,000 CZK for operating expenses. He was also listed on the client's company website as a team member and forwarded work emails to his private address. Crucially, the claimant began publicly advertising this newly acquired vehicle for rent under his own name, personal phone number, and residential address across several websites and social media platforms, while also renting the vehicle himself for a fee. The appellate court concluded that the conduct in question did not reach the level of severity necessary to justify termination. It based this conclusion primarily on the grounds that the competing activity was a one-time occurrence on the part of the employee, that he derived no personal gain from it, and that the employer suffered no quantifiable financial loss from this conduct.

The Supreme Court rejected this more lenient interpretation by the lower courts. It emphasized that assessing the validity of a termination does not depend on whether the underlying transaction ultimately generated a profit for the employer or caused specific harm. The decisive factor is whether the employee acts loyally and in compliance with Section

301(d) of the Czech Labour Code, which imposes a statutory duty to safeguard the employer's property and refrain from acting contrary to the employer's legitimate interests.

The Supreme Court also reaffirmed a key rule for assessing culpability: where an employee's competing activity directly involves the subject matter of a transaction previously concluded on the employer's behalf under a conflict of interest, that substantive nexus fundamentally amplifies the severity of the breach. In the appellate court's view, neither the one-time character of the activity, the lack of personal profit, nor the absence of actual impact on the employer mitigates the gravity of such conduct. In practice, the decision therefore strengthens employers' position when addressing disloyal conduct and the prioritization of personal ties over the company's interests.

The Breach of the Duty of Professional Care in the Sale of a Collateral Outside a Public Auction

(Judgment of the Supreme Court of 4 August 2026, File No. 21 Cdo 3155/2025)

In a recent ruling, the Supreme Court addressed the **limits of the direct private sale of pledged collateral**. The key issue was determining the legal consequences where a pledgee formally complies with the terms agreed in the pledge agreement, yet **breaches its statutory duty to act with due professional care by selling the pledged collateral well below its current market price**. The court also clarified the precise scope of a third-party purchaser's good faith and how the validity of contractual clauses setting a minimum purchase price should be evaluated.

In the case at hand, the pledgee exercised its rights over an apartment unit through a direct sale. The pledge agreement stipulated that the purchase price could not fall below 60% of the value determined by an expert appraisal, while expressly permitting the use of an appraisal prepared up to five years earlier. The pledgee formally satisfied this contractual condition and sold the apartment for an amount exceeding 60% of that historical valuation. However, due to property market appreciation and deliberately unfavorable advertising, the achieved sale price fell far below the property's actual current market value. The pledgor subsequently filed an action for a declaratory judgment of ownership, arguing that the pledgee failed to exercise due professional care and that the contractual clause constituted a prohibited arbitrary realization of collateral. The lower courts upheld the claim, challenged the purchaser's good faith, and held that the pledgee's unlawful conduct rendered the underlying purchase agreement invalid.

The Supreme Court rejected these conclusions and made a fundamental distinction between the validity of contractual provisions, a breach of the creditor's obligations, and the validity of the transfer itself. It stated that the primary purpose of Section 1365(1) of the Czech Civil Code is to strike a balance between the interests of both parties. If a pledgee culpably breaches its duty and sells the collateral manifestly under value due to a lack of due professional care (such as failing to secure a current valuation), it incurs non-contractual liability toward the pledgor for resulting damages. However, this failure on the part of the pledgee **does not per se render the purchase contract with the third party null and void**. Consequently, in such cases, the pledgor cannot successfully claim the return of the property; instead, the proper remedy is to claim monetary compensation from the pledgee for the difference between the actual market value and the price obtained.

The Supreme Court further emphasized that, under the law, the **purchaser's good faith** does not concern whether the pledgee exercised due care or realized the collateral at market price, but solely relates to the pledgee's legal authority to realize the collateral. As for the pledge agreement itself, the Supreme Court concluded that a clause



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conditioning the sale on achieving at least 60% of an expert's valuation **cannot automatically be deemed a prohibited provision** on arbitrary disposition. Such conditions do not objectively prevent the pledgee from fulfilling its statutory duty to act with due professional care in practice.

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Please send your comments to: Linda.Janoutova@weinholdlegal.com, or contact the person you are usually in touch with.

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