Chapter 12. Corporate Governance, Ethics and Compliance in Doing Business

The following chapter is dedicated to the topic of **corporate governance, ethics and compliance in doing business**. It aims to cover primarily the areas listed below (please note that these are – based on the authors' opinion and necessary selection – seen as the most critical areas for introducing corporate governance, compliance and ethics to our international students, even though the topic itself certainly is much broader and could be presented in a more detailed way):

1. Management liability under Czech laws – introduction and basic legal overview;
2. Duty to act with due managerial care and business judgement rule (including majority of related legal aspects such as, for example, managers' remuneration and concern law);
3. Compliance and compliance programs (introduction and a brief history of compliance, effective implementation of internal compliance programs *etc*.); and
4. Criminal liability of Czech legal entities (details on the new "compliance amendment" and its link to corporate governance and business ethics).

12.1 Introduction – management liability under Czech laws

The new legal regulation of Czech private law (mainly the New Civil Code[12] (hereinafter also the "NCC") and the Business Corporations Act[13] (hereinafter also the "BCA")) has brought in plenty of changes, many of which also impacted on **the status of company managers**, *i.e.* business corporations' statutory management. It was the ambition of this new regulation to create rules that are (a) **fairer** (towards the Czech entrepreneurs), and (b) making the general concept of carrying on business **easily available**. As a result, we encounter **new terminology**, **systematics** and also **several new corporate governance institutions**. In the field of business corporations' management, the previously existing rules are now specified in more details and are more clearly arranged. On one hand, there is certain loosening in the decision making by managerial bodies of Czech business corporations, on the other hand, there is **a strong tightening of sanctions for certain cases of their failure**.

However, we certainly cannot ignore **other forms of "management liability" in Czech laws**, such as "interference" within groups of companies (concerns) under the BCA (see below), or respective provisions of the Czech Labour Code[14] dealing with responsibilities and obligations of individual employees and employed (delegated) managers towards their employer.

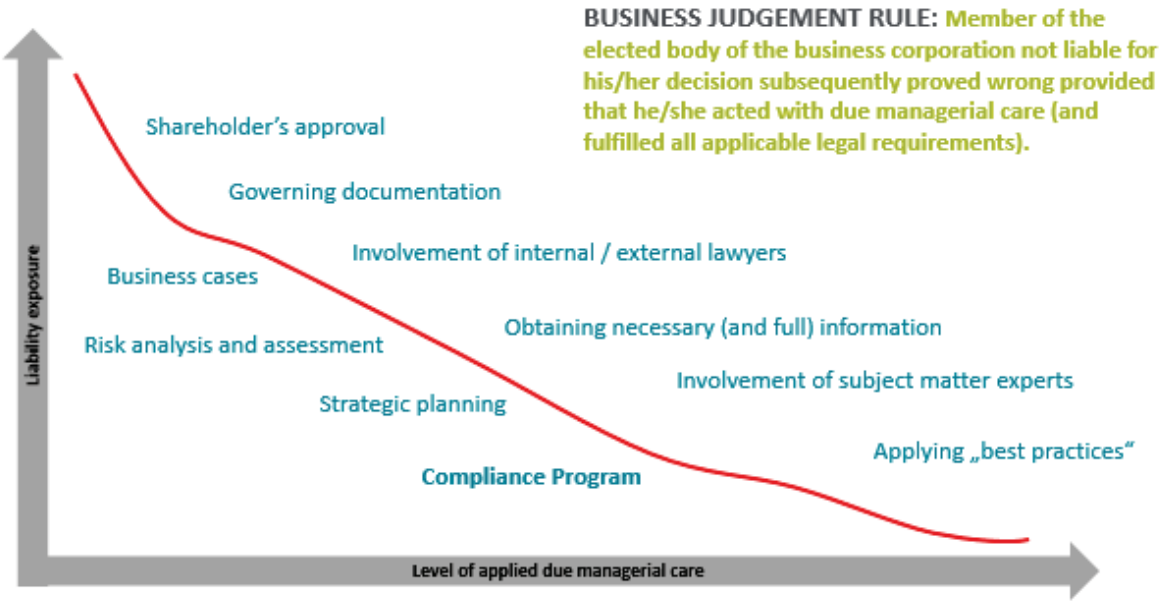
12.1.1 Management liability under Czech laws – a quick overview

The picture below summarises the **potential legal liability of various types of corporate managers**, *i.e.* members of supervisory and statutory bodies (who are performing their office in compliance with respective provisions of the New Civil Code and Business Corporations Act), as well as so called "employed or delegated" managers – either individuals or members

[12] Act No. 89/2012 Coll., Civil Code, as amended.
[13] Act No. 90/2012 Coll., on Business Companies and Cooperatives (Business Corporations Act), as amended.
[14] Act No. 262/2006 Coll., Labour Code, as amended.

of different internal executive bodies and committees (who are performing their obligations in compliance with respective provisions of the Czech Labour Code[15]).

Picture 1: A brief overview of various types of management liability under Czech laws



Picture 2: A brief overview of various practical tools that may either fully eliminate and/or somewhat limit the management liability

[15] Available at: https://www.mpsv.cz/files/clanky/3221/Labour_Code_2012.pdf.

12.2 Duty to act with due managerial care

Section 159 (1) of the New Civil Code stipulates the following: *"Who accepts an office as a member of an elected body, he/she undertakes to execute the office with necessary loyalty and required knowledge and care. It is understood that a person who is not able to act with due managerial care, although he/she must have known it when accepting the office or when executing it, and does not draw consequences for himself/herself, acts carelessly."* To sum up, this is how the Czech Republic legally defines the so called „**standard of quality of care**". A **conflict** with due managerial care may occur, however, a member of an elected body must **react to the situation without undue delay**, *i.e.* to inform the concerned company (corporation) about the conflict, to propose appropriate solution, to ensure an external consultant or other professional, to delegate the activity to a third party *etc*. Therefore the law does not automatically assume that such a situation is defective, however, it emphasizes the fact that a member of an elected body must properly solve it. Thus the due managerial care is observed also by such a member of an elected body of the company who evaluates his/her own inadequacy and simultaneously finds a solution how to remedy the situation.

The law imposes a duty of loyalty upon the **members of elected bodies of Czech business corporations** (supervisory, statutory and potentially also other corporate bodies). This means such conduct that is in the interest of the corporation concerned. It is therefore expected that a member of an elected body never pursues his/her own interest (or interest of another person) if he/she would endanger the interests of the corporation concerned thereby.

12.2.1 Legal assessment of the duty to act with due managerial care

Section 52 (1) of the Business Corporations Act (BCA) stipulates the following: *"When assessing whether a member of the body acted with due managerial care, always the care that would be taken in a similar situation by another reasonably careful person if he/she was a member of a similar body of a business corporation will be considered."* The question on whether a particular member of an elected body of a specific business corporation acted in a particular case with due managerial care or not **is being assessed with regards to what kind of care in a similar situation would be taken by another reasonably careful person** (not with regards to what level of care is typical for a particular member of the body of the company), *i.e.* an **objective approach** always applies.

12.2.2 Business judgement rule

In addition to the above, the section 51 (1) of the Business Corporations Act further introduces the so called **Business Judgement Rule**: *"A person acts carefully and with necessary knowledge if, when making a business decision, this person presumes in good faith that he/she acts on an informed basis and in the defendable interest of a business corporation; this will not apply if such a decision is not made with the necessary loyalty."*

What is, however, the purpose of such institute? The duty to act carefully and loyally may, at least at the first glance, look so rigidly that some members of elected bodies could be **afraid to make any risky business decisions**. Therefore, the BCA introduces a business judgment rule which offers those members of elected bodies, who act within the limits and under the conditions laid down by the law, some form of a protection shield. **A member of the elected body is not responsible for a bad decision if he/she comes to such decision in a proper manner, therefore, as stated above, loyally, in justifiable interests of the business corporation and being well-informed**. According to the Czech legislation, the **burden of proof** is borne by the member concerned (*i.e.* he/she must prove that he/she had the necessary

information which he/she properly evaluated, and subsequent decision was made in the interests of the corporation, thus he/she has to prove that the loyalty was not breached).

This rule shall be seen as a **practical reaction** of the Czech legislation to the fact that the members of elected bodies often have to act so as **not to cause damage**, but at the same time so that to **maximize profit of the corporation**, whereby they expose themselves to certain **commercial and business risks**.

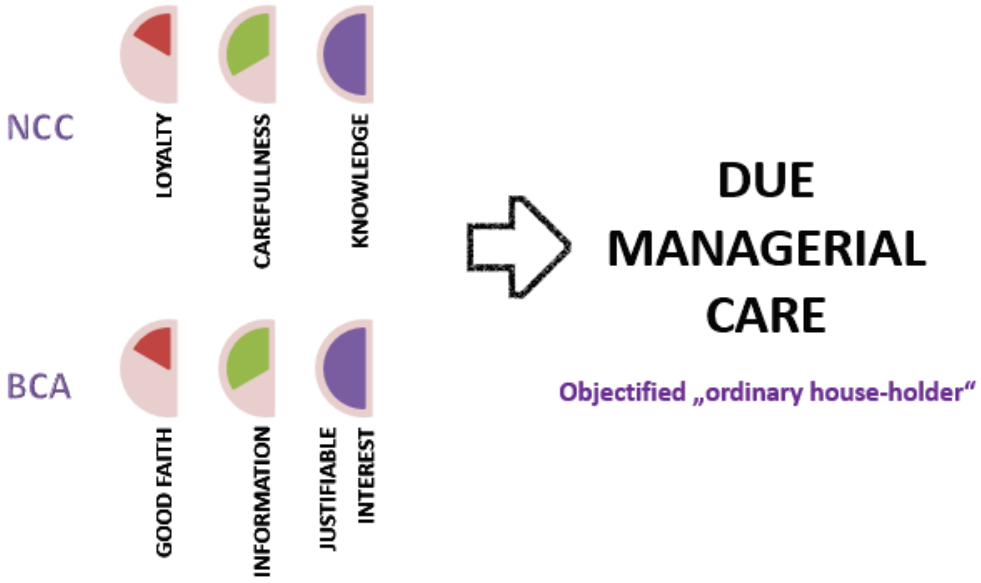
However, it is also necessary to think about the **practice of the Czech justice** in this context. In connection with the business judgment rule, the courts should decide not only on the basis of the law, but they should also take into account certain economic aspects of individual cases. To simplify their decision-making process, the law stipulates that the **business judgment rule test has three elements**; the courts should therefore examine whether a member of an elected body:

(1) Acted in good faith;

(2) Could reasonably assume that he/she acted on informed basis; and

(3) Could reasonably believe that he/she acted in the honest belief that the action taken was in the best interest of the company.

The aim of the business judgment rule is therefore to review **how the member has acted**, **not what the result of the act was**.



Picture 3: A summary of key legal elements of the due managerial care – both from the NCC and also from the BCA perspective

12.2.3 Consequences of a breach of the duty to act with due managerial care

Remember that breaking the duty to act with due managerial care may have **severe legal consequences**:

- **Surrender of benefit** – *i.e.* an obligation of a person who acts in contradiction with the rules of due managerial care to surrender to the company the benefit, which he/she obtained in connection with his/her acting. If such surrender is not possible, the obliged person must compensate the benefit in cash.
- **Liability for damage** – according to former legislation, no fault of a member of the elected body of a business corporation was required to claim responsibility of such member for caused damage, thus the so-called objective responsibility was concerned. However, the NCC turns over this philosophy and stipulates the duty of a member of an elected body to compensate damage caused by a breach of his/her statutory duty as follows: a wrongdoer is responsible for violation of the legal obligation only if it is caused by his/her fault, *i.e.* **subjective liability applies**. The **burden of proof** concerning the absence of fault is borne by the member himself/herself, not by the company.
- **Disqualification from the exercise of the office as per the court's decision** – a member of the elected body may be disqualified from the exercise of his/her office, both for serious and repeated breach of the duty to act with due managerial care and for such conduct and performance of the office which brought the corporation concerned into bankruptcy. Besides, if the business corporation is not fully satisfied with the performance of the office by respective member, it may recall him. In addition, it is also possible for the members to resign from their function, however, the BCA states that this can only be done when the time is appropriate.

12.2.4 Remuneration of managers and agreement on office performance

It is solely an **internal matter** of a business corporation concerned how and when it will remunerate its members. The Czech laws stipulate only the **rules for related monitoring**. The rules for remunerating members of elected bodies are viewed as one of the most important elements of monitoring the **performance of their duties**. Therefore, the law does not care at all about what, how and when members of elected bodies receive the remuneration, it is in the interest of the law that the remuneration is made in a **fully transparent manner**. In case of capital Czech business companies (corporations), it is therefore necessary that any remuneration is always **approved by the general meeting**, otherwise it cannot be provided.

The position of a member of an elected body may be created in different manners, however, both the codification and the previous legislation clearly prefer contractual arrangements, *i.e.* the situation where the relationship between a member of an elected body and the business corporation is regulated by an **agreement on the office performance**. If the agreement on the office performance is not entered into it does not mean that the position of a member of an elected body is not created; in such a case, the new legislation offers alternative solution (a supporting provision in the BCA referring to adequate application of the provisions of the NCC on the mandate agreement would apply).

The new legislation treats the remuneration of members of elected bodies as a tool used to **increase their motivation for proper conduct** when it introduces the **possibility of refunding the remuneration paid in the past as a penalty for failure in the performance of their duties**. An example may be an obligation of a director, who did not carry out all necessary and reasonably foreseeable things to prevent impending **bankruptcy** of a joint stock company of which he/she knew or should have or could have known (a breach of duty to act with due managerial care), to return the benefits derived from the agreement on the office performance for the period up to two years before the decision on the company's bankruptcy becomes final. This sanction does not – logically – apply to **crisis management**.

12.2.5 A brief excursion into concern law

A new legal regulation of concern law (section 71 and following of the BCA) added a new level of influence, so called "**interference**" (apart from "controls" and "concerns"):

1. *Anyone who influences (directly or indirectly) business conduct of a corporation to its harm shall compensate such harm, unless he/she proofs that he/she could have assumed in good faith and reasonably that he/she is acting informed and in defendable interest of influenced person.*
2. *Such harm must be compensated before the end of fiscal year in which the harm arose otherwise such harm needs to be compensated to shareholders.*

12.3 Compliance programs

> *"If ethics are poor at the top, that behaviour is copied down through the organization."*
>
> **Robert Noyce**

12.3.1 Keith Packer: "You may be held liable for what your people do."

Task: Re-read the story about Keith Pecker below and think about other than competition law related consequences.

Do you still remember the story about Keith Packer?

"During my eight-month sentence – 241 days and nights, and believe me, I counted every single one of them – I had a lot of time to reflect on how a typical British executive, balancing the demands of a challenging business life and a full and happy personal life, ended up in prison. To go to prison in the US and pay a $20,000 fine was something I never imagined in my worst nightmares. The closest I ever thought I would get to breaking the law would be the odd speeding ticket or parking fine."

Keith Packer, Former Commercial General Manager at British Airways World Cargo
(source: *http://www.legalweek.com/legal-week/analysis/2110631/cautionary-tale-exec-consequences-competition-law-infringement*)

What happened?

- 11 cargo airlines concluded a price fixing cartel between 1996-2006 colluding to inflate fuel surcharges (British Airways, Air France – KLM, SAS, Air Canada, Qantas and others).
- Number of dawn raids took place in February 2006 around the world after Lufthansa, as one of the cartelists, "blew the whistle".
- Since the fuel surcharge also applied to flights departing from the U.S., the U.S. state authorities investigated the case as well.
- To prevent his extradition to criminal prosecution in the U.S., a 10 year sentence and USD 1 million penalty, Keith Packer decided to cooperate with the investigators and accepted a plea offer of 8 months in jail and a fine of USD 20,000.

What were the consequences?

- In the US, the Department of Justice charged 18 airlines and several executives over USD 1.6 billion.
- The EC fined 11 airlines almost EUR 800 million (highest fine of EUR 340 million to Air France – KLM, EUR 104 million to BA).
- Keith Packer accepted a plea offer of 8 months in prison in Pensacola and a fine of USD 20,000.
- Several customers who paid the fuel surcharges claimed their damages under the private law procedures.

What would you say that this story means for us – from the compliance and business ethics perspective? Not sure? Then have a look at the summary below.

A. There really is a personal liability for a business infringement

The concept of personal liability of employees and managers derives directly from the Czech Labour Code, the New Civil Code and the Business Corporations Act. Personal liability is, however, stipulated in other legislations, as well, such as the Czech Act on Personal Data Protection (fines up to CZK 100.000 for an individual, meaning also an employee), or the Czech Act on Protection of Commercial Competition (the offence of infringement of competition law rules with imprisonment up to 8 years).

B. The punishment does not avoid the top managers

Even a high managerial position does not protect the concerned individual from his/her punishment, quite the contrary. Managers' liability is not derived from their acting only, *i.e.* from the specific violation, but also from the fact how he/she fought for the infringement not to occur, *i.e.* typically what **preventive measures** have been considered in order to prevent a breach of binding rules. **The greater the role, the higher the responsibility**.

C. The punishment may follow even for misconduct of someone else

As in case of Keith Packer, the punishment may follow for the manager who did not committed the infringement by himself/herself directly. Such manager is, from the legal perspective, responsible for activities of his/her subordinates, *i.e.* for cases when he/she **did not timely intervene**, **did not involve the lawyers** and therefore **did not prevent from the violation of respective laws**.

12.3.2 So how does compliance help and why business ethics matter?

12.3.2.1 What is compliance?

Compliance means **knowing and following the relevant laws, rules, principles, standards and procedures**. It is making sure that t**he organizations adhere to all applicable legal and other requirements**. Compliance must be seen and understood as a **detailed and complex process**. For any particular situation one must be aware of all potentially applicable laws and regulations (such as international and local laws and also internal company-instituted rules). As this is not a possibility (*i.e.* something we would call "nice-to-have") but a strict obligation, a strong compliance program is absolutely necessary to protect the organizations both internally and externally. **Ignorance of the law is no excuse**. A legal and/or natural person cannot escape a criminal charge or civil liability by claiming that he or she did not realize that the law was

broken. The role of compliance is therefore (1) making sure that people know the rules beforehand; as well as (2) helping to ensure that they continuously follow them.

However, knowing the law and following it is only one side of compliance. It is obvious that businesses also have to know **where and to what it applies**. Once they have this information, they must **implement it into an effective compliance program**. To get the word "effective" out of its theoretical meaning, it is highly recommended that the organizations hire experienced **compliance professionals**, issue detailed **policies** and guidance, institute and roll out respective **training** and promote all **other aspects of the compliance program**. The aim of these compliance activities is to spread the knowledge to all who need it. It should be highlighted that the above described process must be **continuous**. The compliance program is the heart of compliance putting all of the elements above into effect. To sum up, true compliance should go beyond the borders of knowing and following the law, *i.e.* beyond the minimum requirements. In other words, simply following the law so that one does not get into trouble is not full compliance. Effective compliance develops and sustains a culture based on values, integrity and accountability; it ensures consistency of actions to lessen or eliminate the opportunities for harm from criminal conduct or other compliance failures. It is therefore very important that true compliance involves the ongoing commitment from senior executives in the organization to promote ethical conduct and compliance with the law. *"Leading by example and establishing the tone at the top set the stage for every other element of compliance"* (Biegelman, 2008, p. 3 – see below). Simply said, **human beings mirror their leaders**.

There are **two significant obstacles that might occur in terms of compliance program's implementation**. The first one can be described as "using compliance as an excuse". Some executives might tend to use compliance program to mask their own negligence or even wrongdoing. It must be highlighted that this attitude is even more dangerous than having no compliance program at all. That is because it gives shareholders, employees, vendors and also the public a false belief that the organization cares about following the legal and other requirements when, in fact, all it wants is just to misguide others into believing it. Plenty of organizations that faced corporate scandals had, for example, implemented the code of conduct. But, in the end, these codes showed up to be nothing more than empty words. The second obstacle which might go in hand with compliance program's implementation is when the program itself is not sufficiently supported by skilled personnel, meaningful awareness, management engagement *etc*. This is not only risky from the perspective of all stakeholders concerned, but also counterproductive. True compliance means that one believes in what one is doing day in and day out. The organizations cannot have effective compliance programs without that. If their management believes in compliance and reinforces it by its actions, people will follow its lead. An under-funded and unsupported program is predestined to fail. Without sufficient support from the organization and its management, a compliance program cannot fulfil its objectives of changing and influencing employees' behaviour. To sum up, true compliance requires **direct input by company leadership** and the **key support of a qualified compliance officer running a reliable compliance department providing the organization with an appropriate direction**.

12.3.2.2 A brief history of compliance

What is today known as corporate compliance is the result of **many years of growth and evolution**. Various laws and rules covering businesses have been developed over the years into a more formal and complex structure. Such regulation started slowly in the **19th century** as a response to **several individual scandals**. By the 1960s, with increasing complexity in both the

business and regulatory areas, the foundations of modern compliance began to emerge. This trend continued in 1970s and 1980s, until it reached a tipping point with the release of the **USSC Organizational Guidelines**[16]. Although many compliance programs existed well before these Guidelines came into force, they gave them a major push into the mainstream of business. The compliance framework has further been developed with the passage of other well-known laws and regulations, such as the **U.S. Sarbanes-Oxley Act** from 2002 or **UK Bribery Act** from 2010. The above described evolution resulted into increased importance and role of compliance officers in the 21st century.

In many ways, **the history and development of business parallels the history of scandal**. This idea could be described as an ongoing tug of war between regulators who seek to reign in corporate excess and business that resists regulation in order to achieve greater flexibility and innovation. Particularly, **regulators** have stepped in during the wake of massive corporate scandals. As these scandals have been extremely devastating, they have forced lawmakers to step in. This pattern lies at the heart of majority of related corporate governance regulations. Let's consider the American corporate regulation as an example. Skeel (2005) concludes that it has consisted of periodic, dramatic regulatory interventions by federal lawmakers after a major scandal, together with more nuanced ongoing regulation by the states. In the aftermath of these scandals, the public outrage and calls for justice transform into broad support for tangible reform that would otherwise be impossible had the scandals not occurred.

Compliance has always been around, in some form or another, since the establishment of organized business activities and commerce. Walsh and Pyrich (1995) propose that self-regulation of business stretches back to Middle Age merchant and craft guilds setting business standards for themselves. Businesses have adopted their own codes of conduct, often in the wake of other companies´ scandals. However, these types of self-imposed regulations were voluntary, informal, and relatively simple. As regulation grew in the middle of the 20th century, some companies had to find new ways to make sure they followed the law. They needed a more formal and structured way to deal with the **complexity of modern regulation**. Most authors agree on the fact that modern compliance programs were first created after the electricity industry's antitrust scandal in the early 1960s. *"A widespread bid-rigging and price-fixing conspiracy involving electrical equipment manufacturers such as General Electric and Westinghouse resulted in dozens of individuals and corporations convicted of antitrust violation. The enormity of the case and related publicity of the first prison sentences handed down in the 70-year history of the Sherman Antitrust Act spurred the development of antitrust compliance codes of conduct and programs. In this period, companies in the most heavily and complexly regulated industries began internal compliance efforts, particularly involving the above-mentioned antitrust issues. With further scandal, these compliance efforts would start to reach other industries"* (Biegelman, 2008, pp. 49-50 – see below). It is therefore obvious that the **public outrage** combined with **governmental pressure** encouraged businesses to adopt much-needed reforms. Last but not least example underlining the above introduced idea is the enactment of U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA has been enacted shortly after the Watergate investigation (conducted in 1977) which discovered that companies were paying bribes to foreign and domestic officials using funds maintained "off the accounting books". Therefore, the Foreign Corrupt Practices Act makes it crime for American companies, as well as individuals and organizations acting on their behalf, to bribe any foreign government official in return for assistance in obtaining, retaining or directing business.

[16] Available at: https://www.ussc.gov/guidelines/organizational-guidelines.

As mentioned in the introduction, the United States Sentencing Commission issued several organizational guidelines recommending **minimum requirements for an effective compliance program**. As the Sentencing Guidelines for Organizations focus (among other measures) on prevention and deterrence of law violations that include self-reporting and acceptance of responsibility, they gave companies a strong incentive to establish and maintain truly effective compliance programs, either to receive a lessened sentence or mandated as part of probation. The original seven steps to achieve effective compliance introduced by USSC in 1991 have been significantly enhanced by 2004 FSGO Amendments (more details below).

12.3.2.3 Compliance challenges and objectives

Ideally, a compliance program should be both **industry-specific and unique**. It should be tailored to fit the requirements of the organization concerned, its needs and the overall compliance requirements of its particular industry, as well as to reflect the compliance requirements imposed on all organizations and the laws they must follow. Each organization must therefore ensure that its compliance program is getting the **individualized attention** it needs to enhance the **corporate compliance culture**. The focus on individuality rather than on image of the compliance program itself produces great **benefits**. A strong compliance program can create better employee **productivity and morale**, **higher profits** and a **stronger reputation** among **customers** and **investors**. It can also help to catch problems before they reach the level where they can hurt the company and its **stock price**. Least but not last, with a strong and effective compliance program, an organization can have a more beneficial position when **dealing with state prosecutors** should any problems arise.

Running an ethical organization that places its values on compliance is not simply a good idea; it also makes a good business sense. Over the past years, a lot has been written about the **importance of business ethics**, the damage that can be caused by compliance scandals and about related legal requirements and benefits. However, less has been published about how an ethical business with strong corporate governance outperforms organizations that do not focus on ethics. Senior executives can damage their business and its future if they do not properly value ethics. Copeland (2007) points out that too many corporate executives regard an ethics program as an expense that adds nothing to a company's bottom line. Even more disturbing, some executives fear that an emphasis on business ethics could put their company at a competitive disadvantage. They are unconvinced that ethics and profits are reconcilable. Enlightened business leaders, however, know that building an ethical business culture is a powerful means of maximizing shareholder value and increasing business profits. In the end, ethics increases the bottom line. The strong link between corporate management's public commitment to ethics and the corporation's financial performance has been borne out by numerous studies. According to Verschoor (2004) well managed companies that take their ethical, social, and environmental responsibilities seriously have stronger long-term financial performance than the remaining companies in the S&P 500 Index.

The challenges to developing an ethical culture are therefore more than great. In the first place, **cultural change takes time**. Culture cannot happen overnight. The compliance and ethical values might be possibly written very quickly, but culture is not imbedded until everyone acts on those values. In order to achieve a successful and lasting compliance culture, the program has to be more than simply using a check-the-box and it-is-done approach. It is the management´s responsibility to drive a culture of true compliance and build it element by element until all employees understand every single component of the compliance program.

12.3.2.4 Warning signs of compliance and ethics failures

An excellent overview of **several major indicators of ethical collapse** has been identified by Jennings (2006). These seven signs are as follows: (1) the pressure to maintain the business numbers; (2) a culture of fear and silence; (3) a "bigger than life" CEO and awe-struck direct reports that will not go against their leader; (4) a weak board of directors; (5) a practice of conflicts of interest; (6) a belief that the organization is above the law; and (7) that "goodness in some areas" such as corporate giving "stones for evil in others". Although these seven signs are not a guarantee of an ethical collapse, they can definitely be used as potential announcers of ethical challenges.

12.3.2.5 Ethical culture, integrity and proper business conduct

The major compliance failures of recent years resulted in significant changes to corporate lives and cultures. Suddenly, **integrity and accountability** are considered as key elements for every single organization. Senior executives and other leaders are constantly confronted with the day-to-day realities of business compliance. They must ensure compliance with the organizations internal rules and policies. In addition, all organizations must follow respective local and sometimes also international laws, and, moreover, in most of the legal orders there is usually a stricter regulation being applied to publicly held businesses. Some of these regulations even mandate the creation of compliance programs, other constitute stern restrictions from anti-bribery rules to free trade provisions. A flagship among these requirements is the idea of **ethics**. Ethics should lie at the heart of every corporate governance requirement.

Ethics include integrity and proper business conduct. It refers to standards and values by which an individual or an organization behaves and interacts with others. Aristotle (1962) argued that moral behaviour is acquired by habituation and that without question moral behaviour is good. This principle has not changed despite years. Ethics and compliance are clearly on the minds of senior executives and leaders, as well as investors, public and government. Thanks to many corporate scandals of the past decades, business ethics has become a hot topic. However, despite the increased awareness given to ethics and compliance, the problem has not been solved. Ethics and ethical behaviour are not the things that could be created and attained merely through corporate expenditure. They require a far deeper commitment that can only be achieved through time, effort and yes, also expenditure. Quality matters here far more than quantity. A commitment to ethical conduct cannot be accomplished by simply initiating a compliance program and then just checking the box that the process is complete. Building an ethical culture takes time. Integrity and character bring out the best in people and are therefore critical components of ethics and compliance. *"Yet, human beings are not perfect creatures and tend to falter from time to time. The importance of ethical conduct needs to be nurtured, reinforced, and repeated over and over again lest people forget and stray from the course"* (Biegelman, 2008, p. 6 – see below). Therefore, building and maintaining an effective compliance program requires smart decisions that are necessary to achieve true compliance over the long term.

Ethics can also bring benefits in other areas, such as **hiring and retaining top quality employees**. Unethical behaviour, as indicated in the previous chapter, not only impacts a company´s bottom line, but it also impacts its workforce. Such a behaviour and attitude affect current employees as well as the company´s ability to attract qualified staff. A study conducted

by the consulting company LRN[17] provides evidence that links a company´s ability to foster an ethical corporate culture with an increased ability to attract, retain and ensure productivity among U.S. employees. Some of the study´s findings conclude that: (1) 94 % of employees say it is critical that they work for an ethical company; (2) more than one third of respondents reported leaving their job for ethical reasons; (3) 56 % of respondents say their employer embraces ethics and corporate values in everything it does; (4) 30 % of employees say their company merely toes the line by following the law and company policies; and finally (5) 5 % say they work at a company where they do what they are told, are not encouraged to ask questions about what is right or wrong, or they often see management and peers acting in questionable ways. To sum up, employees are very sensitive to business ethics. They are intensely aware of their organization´s culture and pay attention to the tone set from the top and around them. Unethical behaviour has a strong effect on employee morale and distracts employees from the company´s business. One in four employees reported seeing unethical or even illegal behaviour in the organization they work with; of those who saw unethical behaviour, 89 % said it affected them.

12.3.2.6 Establishing an effective compliance program

Previously, a documented and reasonably functional compliance program was adequate. Today, this is not enough. The compliance program must also be **effective**. An effective program should, at a minimum, include a **compliance officer**, an **employee training program**, **internal policies**, **procedures** and **controls**, and an **independent audit function** to test it. Such a program should be understood as living efforts that need to continually evolve with time and circumstances. To be effective, however, one needs to **combine compliance with ethics**. Employees need to know more than the "dos" and "do not's" of compliance; they should believe in the organization´s **values** and judge their conduct and decisions according to them. Ethical conduct goes beyond the perception and definition of compliance and deciding between right or wrong. **Ethical conduct means choosing the best and most ethical course of conduct by applying the organization´s values**. Fortunately, such a conduct can be taught to most employees regardless of a lack of prior ethics training.

A commonly recommended best practice for public and private companies to establish a meaningful compliance program is to design it according to the seven requirements outlined in the FSGO. Following the **FSGO recommendations**, however, does not ensure an effective ethics and compliance program. It only means that the organization have met the minimum required components and, as already mentioned, effective compliance requires more than a "bare bones" program. The "seven steps plan" for establishing a compliance and ethics program as described in the FSGO therefore serves as a pure backbone which should further be developed. The plan requires the organizations to take the following actions: (1) establish standards of conduct reasonably capable of reducing the likelihood of criminal conduct; (2) assign overall responsibility for compliance to a specific high-level officer; (3) do not delegate discretionary authority to individuals with a history of illegal conduct or other conduct inconsistent with a compliance program; (4) communicate standards and procedures to employees and agents; (5) establish monitoring, auditing and reporting systems; (6) enforce

[17] New Research Indicates Ethical Corporate Cultures Impact the Ability to Attract, Retain, and Ensure Productivity among U.S. Workers, LRN, 3 August 2006, retrieved from www.lrn.com/about_lrn/media_room/press_releases/263. LRN specializes in legal, compliance, ethics and governance solutions.

standards with discipline and incentives; and finally (7) take reasonable steps to respond to discovered criminal conduct.

- **Compliance standards and procedures**
  Each organization shall establish relevant standards and procedures to prevent and detect criminal conduct and ensure compliance with the law. The cornerstone of those standards and procedures is usually an ethics code called **code of conduct**. This code is an integral component of the compliance program pointing out on organizations values. Following criteria should be taken into account when assessing the codes effectiveness: public availability; tone at the top; readability and tone; non-retaliation; commitment to stakeholders; risk topics; learning aids; presentation and style *etc*. The corporate ethics code should always fit the organization. Therefore, it might be very advantageous to involve the organizations employees into assessing it. The biggest mistake is to simply "copy-paste" another organization´s code and substitute its heading with the name of the organization.

- **Organizational leadership and a culture of compliance**
  The organizations governing authority (usually represented by the CEO, CFO and the board of directors) should be knowledgeable about the content and operations of the compliance and ethics program. In addition, the governing authority should exercise reasonable oversight with respect to the implementation and also effectiveness of the program. Specific individual(s) within the highest levels of the organization shall be assigned overall responsibility for the compliance program. Other individual(s) within the organization shall be delegated day-to-day operational responsibility for the program. The individual(s) with operational responsibility shall report periodically to high-level personnel and to the governing authority. To carry out such responsibility, the individual(s) shall be given adequate resources, appropriate authority and also direct access to the governing body.

- **Reasonable efforts to exclude prohibited persons**
  "The organization shall use reasonable efforts not to include within the substantial authority personnel who the organization knew, or should have known through the exercise of due diligence, have engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program" (Biegelman, 2008, p. 169 – see below).

- **Training and communication**
  The organization should take reasonable steps to communicate regularly and in a practical manner its standards and procedures and other important elements of the compliance program by conducting an effective training (preferably the face-to-face one) and otherwise disseminating information appropriate to such individuals respective roles and responsibilities. Training shall be provided to members of the governing authority, other high-level leaders, employees and also the organization's agents.

- **Monitoring, auditing and evaluating program´s effectiveness**
  The organization shall take reasonable steps to evaluate the program's effectiveness. It shall also take reasonable steps to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, where the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation, such as ombudspersons or hotlines. As Biegelman (2008) highlights, compliance will always begin and end with people. That includes everyone from the CEO to the newest intern. His words emphasis that people who are willing to speak up and be heard, even when it is culturally not popular to do so, are extremely valuable and necessary in terms of an effective compliance and ethics program. Senior executives must therefore ensure a corporate culture where employees are not afraid to "blow the whistle" and report wrongdoing and other potential violations of business conduct they are aware of.

A common mistake that a compliance program can make is to focus too much on the "easy" things and too little on the "hard" ones. It might be easy to do the training, prepare and roll out a code of conduct, institute an external hotline, talk up the culture and tone from the top; however, it is much harder to beat areas such as discipline, audits, monitoring, incentives and the fact that the organization needs so called corporate cops.

- **Performance incentives and disciplinary actions**
  The organization's compliance program shall be promoted and enforced **consistently** within the organization. This can be done through appropriate incentives to perform in accordance with the program, and also through disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect such a conduct.
- **Response to criminal conduct and remedial action plan**
  After a criminal conduct has been revealed, the organization shall take reasonable steps to **respond appropriately** to the criminal conduct and to prevent further similar conduct, including making any necessary modifications to the organization's compliance program. The organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement or modify each compliance requirement to reduce the risk of criminal conduct identified through the above mentioned risk assessment.

12.3.2.7 International compliance

It should be highlighted that in today's corporate world compliance **goes beyond the geographical borders**. This must be understood as a side effect of globalization of business. International compliance is therefore a necessity. The global nature of organizations with subsidiaries, affiliates and vendors all over the world provide great opportunity but also great risk. Both U.S. and UK laws reach all around the world and cover the actions of "their" corporations and employees no matter where they are. Illegal actions relating to the FCPA or the UK Bribery Act can have major implications. There are severe penalties for those who violate the anti-bribery provisions of those acts. Third party liability is another major concern as organizations are liable for the actions of people they hire, by their direct employees or agents. The solution is a strong global compliance program that ensures everyone knows what the rules are, what is going on and to keep track of who is doing what (particularly on the local level).

12.4 Criminal liability of Czech legal entities

12.4.1 Introduction

Criminal liability of legal entities became a reality here in the Czech Republic already on **1 January 2012**. Generally, a criminal act can be committed only by an individual (natural person). Legal entity, a sort of theoretical legal structure, never acts by itself, *i.e.* it can always act only through individuals predicted by the law. However, over time it has been demonstrated in the corporate (business) practice that it is not always fair and adequate to "punish" only natural persons for committed criminal acts and therefore in 2012 a concept of criminal liability of legal entities was newly introduced into the Czech legal order.

Thus the basic principle of the criminal liability of legal entities is the possibility to hold liable the legal entity concerned, under certain circumstances, for the conduct committed by a

particular individual. However, this is generally possible only if the individual acted on behalf, for or in the interest the legal entity concerned or in the framework of its activities. In this context, the **updated Act on Criminal Liability of Legal Entities** (hereinafter also "ACLLE") contains two key changes. They fundamentally complete the original concept of the criminal liability of legal entities in the Czech Republic. Firstly, the list of criminal acts for which a legal entity may be held liable is substantially extended; secondly, the entire possibility of a legal entity to exculpate itself from the criminal liability has been included in the ACLLE. Section 7 of the ACLLE previously included the so called positive list of criminal acts for which a legal entity may hold criminal liability. However, the discussed Amendment has changed the positive list to a negative one. Thus from **1 December 2016** a legal entity may commit any criminal act except for those explicitly listed in the amended wording of section 7 of the ACLLE. From the point of view of effects of the Amendment of the ACLLE on the activity of individual entrepreneurs, however, the introduction of a mechanism allowing legal entities to entirely exculpate themselves from the criminal liability is more significant. The Amendment of the ACLLE introduces new section 8 subsection 5 of the ACLLE stipulating that: *"The legal entity will be relieved of criminal liability (...) if it made every effort that could be reasonably required to protect committing a wrongful act (...)."* The used wording may be seemed a bit vague at first sight. Its content will become fully clear only after practice of next few years. Nevertheless, in terms of the possibility of interpreting the ACLLE, this statement is quite clear – namely the investigative, prosecuting and adjudicating bodies must consider what is the standpoint of the particular entrepreneur concerning possible criminal activity, *i.e.* what specific mechanisms have been introduced by them in their internal environment. **A properly functioning internal compliance program of the particular entrepreneur may constitute such mechanism**.

Following the above analysed changes it can thus be **recommended to Czech entrepreneurs to take every appropriate preventive measures – as a reaction to the effectiveness of the ACLLE**, especially to introduce or review their internal compliance programs corresponding to the applicable market standards. It may include, for example, the following measures:

- **Necessity to identify and assess appropriate risk areas of the entrepreneur concerned**

  Firstly, all risk areas and relationships which the entrepreneur usually enters into should be thoroughly assessed, and in this context all criminal acts that could even potentially concern the entrepreneur in this regard in theory, taking into account the specific business or other activities, should be analysed and appropriately evaluated.

- **Updating the existing internal compliance program of the entrepreneur concerned**

  In the light of individual specifics of the entrepreneur concerned, the system of internal regulations should be revised and customized to the presented legislative changes; subsequently, a system of other internal compliance mechanisms should be set up so as to ensure not only the effective running of the business establishments but also adequate protection against the risks of potential criminal liability (it usually involves a combination of preventive, detective and sanctioning compliance mechanisms); and last but not least, to introduce regular, professional and above all practical compliance training courses for all persons acting in the interest and/or for the entrepreneur concerned (not only its internal employees, but also selected third parties).

It can therefore be expected that **greater emphasis will be placed on internal regulations, control procedures and other compliance mechanisms of Czech entrepreneurs** (business corporations or legal entities in general). This is also confirmed by the Explanatory Memorandum which states at the point of "Impact on Businesses Entities" that: *"Higher costs*

can be expected with the extension of compliance programs." Since the amended wording of the ACLLE places great emphasis on prevention, it can be recommended in this regard to the Czech business practice that entrepreneurs concerned conduct thorough audit of their internal regulations and related compliance and control mechanisms, *i.e.* **an audit of their internal compliance programs in general**. They should meet the recommended wording of the ACLLE, especially in the sense that individual legal entities will be able to demonstrate that in the framework of the discussed criminal prevention or repression they have implemented everything what can be "fairly required". Specific contents, or individual elements and areas of interest, of the particular internal compliance program will be assessed in accordance with the above specified, primarily depending on the particular entrepreneur, its market position, area of business, and many other factors.

12.4.2 A more detailed analysis of the ACLLE from the compliance perspective

A Czech legal entity may exculpate itself from the criminal liability if it proves that it acted with **due care and iligence**. The minimum for the foregoing is the implementation of the relevant statutory provisions and the measures that may be reasonably required, *i.e.* especially **preventive measures** and **reactive measures**.

In the context of presented (amended) institute of the criminal liability of legal entities individual entrepreneurs may be asking the following questions: **"How to prevent the situation when an excess of an individual may have criminal impact on an innocent legal entity?" "Is implementation and administration of internal compliance programs sufficient to prevent it?" "What areas of interest and specific elements the internal compliance programs should consist of?"** Here it is appropriate to emphasize again that preventing or eliminating the risks associated with the criminal liability of legal entities cannot be interpreted as a "mere" acceptance of the recommended tools, regulations and rules. So as to effectively protect the legal entity it is necessary to build a comprehensive and interlinked (robust) system of compliance with the rules, regulations and specific procedures or processes of a legal entity concerned. Such compliance program must be fully adapted to specific needs and requirements of the particular legal entity, including the procedure for its initial implementation. It is therefore impossible to present the only one generally binding internal compliance program that would reflect very specific needs of a wide range of Czech entrepreneurs. However, during its implementation and subsequent (interim) administration the following recommendations and expected features can serve as guidance:

a) Full support from the legal entity´s management (so called "tone at the top")

An important element of any internal compliance program is the full support of mid, senior or statutory management of the respective entrepreneur, *i.e.* consistent honouring of the "leading by example principle". It applies that such support should be fully transparent and, above all, permanent. The above described objective can be achieved by several practical methods, *e.g.* a personal letter of the chairman or another member of the statutory body of the entrepreneur addressed to all its employees and emphasizing the importance and sense of observance of rules, regulations and specific procedures or processes of the internal compliance program as a whole and its individual components and areas of interest, and incorporation of fundamental principles and rules of the internal compliance program directly into the foundational legal actions, whereby public declaration is made about interest of the legal entity to observe, when performing the relevant business or other activities, all applicable legal, ethical and other rules or specific requirements. In addition, the top management of legal entities should actively promote not only the principles and rules or specific elements and areas of interest of the

compliance program, but also support the employee or employees (departments) who are in charge of the implementation and ongoing management thereof. It should also be added that the established compliance rules, regulations, procedures and specific processes are always observed by all interested employees and third parties, without exception and without regards to their specific position within the hierarchy of the legal entity concerned. Observance of legal, internal and other regulations of the particular entrepreneur should be a common and regular issue at all levels of management of the activities of the entity concerned. Internal compliance program of the entrepreneur should therefore not tolerate other than anticipated and approved exceptions specified in internal rules and procedures; this applies to all its areas of interest or specific elements.

b) Analysis and rigorous evaluation of the applicable compliance and other business risks, and adoption of appropriate rules and measures for their elimination or reduction (treatment)

This element of the internal compliance programs of various entrepreneurs can be determined as a key element. Only on the basis of a properly performed analysis of applicable compliance and other business risks and their subsequent evaluation, the top management of a legal entity concerned is able to decide on individual (specific) areas of interest and other elements of the management and controlling (compliance) program in such form that this program will be fully adapted to corresponding internal and external legal and other influences. In relation to their subject of business (activity) entrepreneurs should regularly analyse relevant legal and other regulations and ethical standards and thereby identify their key areas of risk, relationships and acting. On this basis they adopt specific measures, and the given measures would always be „tailor-made" in maximum possible form. The primary objective of these measures is to clearly identify and organize the structure and competence of selected employees, and the associated responsibilities of teams or individuals. Minimum response of the respective entrepreneur to most applicable compliance and other business risks should consist in creation of a comprehensive system of internal procedures, processes, regulations and other rules, settings of related roles and responsibilities, and especially regular trainings of and communications to all employees and selected third parties of the legal entity concerned, including its top executives (statutory management).

c) A clear, transparent, internally coherent and periodically reviewed system of internal rules, procedures and processes of the legal entity concerned

In the light of the obligations resulting from the ACLLE and related measures, every entrepreneur should not only devote appropriate efforts to the creation and subsequent (ongoing) updating and maintaining of a comprehensive and coherent system of its internal regulations, procedures and specific processes. The primary objective of such a system is to inform employees, selected third parties and the top management of the legal entity about all (internal) rules and thus to ensure legal and ethical business or other activity, *i.e.* such activity that is in full compliance with applicable legal and other regulations and ethical standards. The heart of the said system of internal regulations, procedures and processes is often the ethical code (code of conduct). From the point of view of not only corporate (business) practice, the ethical code is seen as a central element of internal compliance programs of entrepreneurs as it should fully reflect the central rules, values and principles. Therefore it can be recommended that the legal entities adopt and regularly review their own system of internal regulations containing primarily the ethical code, working rules and organizational rules, rules for dealing with clients (including the gift and hospitality rules), anti-bribery rules, rules preventing the

legalization of proceeds from crimes, rules for handling of documents, including archiving, filing and retention rules, rules for electronic data treatment, rules for disposal of assets (including intellectual property rights), public procurement rules *etc*.

d) Training of the legal entity's management, employees and selected third parties about risks and related responsibilities

Every entrepreneur should acquaint its employees and selected third parties with the above specified (proposed) rules of the internal compliance program and remind them thereabout on a regular basis. One of the tools that constitute a prerequisite for the functioning of the overall system of internal rules, regulations and specific procedures or processes can be systematic training and communication plans and other related activities of the legal entity. They should be sufficiently effective, *i.e.* they should have an adequate form, scope, content, style, length and evaluation, and they should aim only at those employees whom the area concerned relates to. Communication and training of some areas of the specific compliance program will thus cover all employees (or third parties) of the entrepreneur concerned, other, usually more specific areas, will cover narrower audience, such as managers or other narrowly focused experts and specialists. Regular internal trainings and communications should also cover the top (statutory) management of the legal entity in question. The top management should be an example that there are no doubts that it is the top management that must know in details and observe the applicable internal rules, procedures and processes. Some training or communication activities should obviously aim at selected suppliers or business partners, or rather representatives of the entrepreneur concerned (*e.g.* anti-bribery rules).

e) Providing internal legal support

Providing internal legal support and consultation to all stakeholders substantially reduces all applicable criminal risks. The legal entity should therefore identify and consistently communicate when and whom you can turn to with your legal enquires.

f) Implementation of controlling (whistleblowing) mechanism that is able to receive information on potential infringement in time

Effective compliance and enforcement of the rules, regulations and specific procedures or processes of internal compliance program of the entrepreneur concerned also includes the development of a mechanism for the timely receipt of the information by means of which the entrepreneur is notified about violation of relevant legal, internal and other regulations. For this purpose an anonymous whistleblowing line (a kind of internal hotline) may be established, or the notification of actual or potential violation of legal, internal or other relevant regulations of the compliance program is addressed directly to top managers or specially designated persons, departments or teams, usually in a particular regime. The aim of such notifying (controlling) mechanism is to establish a functional process for dealing with complaints and suggestions from employees and selected third parties of the legal entity leading to more effective performance of the business or other activity, and the timely detection of all kinds of compliance failures or breaches and other negative phenomena. In accordance with the above described it also applies that all notifications should be thoroughly investigated, *i.e.* in this respect a fully functional process of initiating and conducting internal investigations of the legal entity is required. It is followed by the consequence management, or results of the internal investigation are evaluated in other appropriate manner and communicated.

g) Thorough due diligence (audit) of third parties

In order to properly identify applicable criminal risks of the legal entity concerned, it is suitable to conduct regular internal audits of third parties, for example, suppliers or sales representatives of the entrepreneur concerned.

12.5 Summary

The corporate compliance and ethics functions have grown rapidly in the last few years in response to several high profile governance failures and subsequent regulatory reforms. Companies throughout the whole world are making huge investments in compliance and ethics, launching their compliance programs, building risk management systems, rolling out comprehensive mandatory trainings and communication plans, designing and distributing compliance standards and procedures and engaging their employees through so called tone from the top. This phenomenon has struck companies across a diverse set of industries, even those that have traditionally received less regulatory attention. Nowadays, when most of the companies have already established some basic level of compliance and ethics infrastructure, many of them begin to evaluate whether these are effective enough.

Ethics, integrity, accountability and strong leadership are key elements of a culture of compliance. They can even be seen as constant for any successful organization. When a business talks about increasing shareholder value, return on investment and driving revenue, one of the best investments is to establish and maintain an effective compliance program. Best in class compliance program is a real competitive advantage. Compliance then is a solution.

A culture of ethics and compliance takes time to develop. It can be a long journey to reach the highest level of ethical standards as well as compliance requirements. All the positive changes in legislation, regulation, initiatives, policies and procedures have taken years to clarify the purpose of improving corporate governance. The legal and compliance requirements have significantly changed the way businesses operate. Today's senior (statutory) executives and leaders, employees and other stakeholders must be aware of these requirements and their impact on a culture of compliance.

In terms of building and maintaining an effective compliance program, the organizations meet a wide variety of different laws, regulations and standards. Some of them provide the organizations with guidance on how to best construct a truly working program or establish the minimum requirements demanded by the law; others include industry standards or organizational certification requirements. As the topic of compliance is so broad, this chapter cannot possibly cover every aspect of every law. For example, the areas of health & safety, environmental impact and privacy regulations have specific compliance requirements. This chapter has tried to cover most of the key points but the world of compliance is so vast that even a book could not hope to be fully comprehensive in anything less than several volumes. However, understanding compliance from the concepts introduced in this chapter provides the readers with the basics for effective implementation and maintenance of compliance programs no matter what particular law or regulation applies.

To underline the compliance principles presented in this chapter, more impressive words than the ones said by W. C. Stone could hardly be found: *"Have the courage to say no. Have the courage to face the truth. Do the right things because they are right. These are the magic keys to living your life with integrity."*

Considering the biggest (recent) Czech legal development in the compliance area, please do not forget that on 1 January 2012, the Act No. 418/2011 Coll., on Criminal Liability of Legal Entities came into force. This Act has introduced the institute of criminal liability of legal entities into the Czech legal order. Adoption of such legislation was in conformity with national and foreign development trends in recent years. In the middle of the year 2016, the ACLLE was significantly amended. Section 7 of the ACLLE is of cardinal importance from the point of view of the criminal liability of legal entities. It specifies in details the range of crimes for which legal entities can hold criminal liability. In this context it should be pointed out that the range of criminal acts represented by the list contained in the aforementioned section 7 is very wide especially after the adoption of the ACLLE amendment. Conditions of occurrence of the criminal liability of Czech legal entities are specified primarily in section 8 of the ACLLE. In connection with the wording of this section it applies that under certain circumstances a legal entity may exculpate itself from the criminal liability. However, to do so it must be proved in the criminal proceedings that the criminal conduct of the particular employee (or the above and below specified persons in equivalent positions, or a third person) occurred despite the fact that the legal entity concerned, or its elected bodies (members of these bodies), implemented the measures that are required by applicable laws or that can be reasonably required. So as to limit the criminal liability, it can be strongly recommended to legal entities that they create and continuously manage internal compliance programs within the scope of their internal environment.

12.6 Self-assessment questions and tasks

Please make sure that you are able to fully answer the self-assessment questions below. If not, please go back to the chapters above and re-read all related texts.

1. How has the recodification of the Czech private law touched the corporate governance rules in NCC and BCA?
2. What are the standard types of managerial liability under Czech laws? How do these differ?
3. Define the duty to act with due managerial care. What are its key elements?
4. Define the business judgement rule. What is the purpose of this rule?
5. What is the link between the two legal institutes above?
6. Is the duty to act with due managerial care being assessed subjectively or objectively?
7. What are the three elements of business judgement rule (the ones that should always be tested by Czech justice)?
8. Name and describe two consequences of a breach of the duty to act with due managerial care.
9. What are the mandatory parts of an agreement on the office performance? Where is this agreement regulated?
10. Explain the legal term “interference”.
11. What does the term compliance mean?
12. What are the most critical aspects of an effective compliance program?
13. Think about the history of compliance. How, why, when and where was this concept created?
14. What does it mean if we say that an effective compliance program must always be “industry-specific and unique”?
15. What are the benefits of having and effective (internal) compliance program?
16. What is the difference between compliance and ethics?
17. How is compliance linked to the Czech concept of criminal liability of legal entities?

18. What are the major indicators of a corporate ethical collapse?
19. How would you explain "integrity"?

12.7 Further reading/listening

Legislation:

- Selected provisions of Act No. 418/2011 Coll., *on Criminal Liability of Legal Entities*, as amended.
- Selected provisions of Act No. 89/2012 Coll., *Civil Code*, as amended.
- Selected provisions of Act No. 90/2012 Coll., *on Business Companies and Cooperatives (Business Corporations Act)*, as amended.
- Selected provisions of Act No. 262/2006 Coll., *Labour Code*, as amended.

Printed books and articles:

- Andreisová, L. *Building and Maintaining an Effective Compliance Program*. International Journal of Organizational Leadership, (5, 2016).
- Andreisová, L. *Compliance program from the perspective of corporate criminal liability*. Scientia et societas, 2017 (XIII / 2).
- Biegelman, M. T. *Building a world-class compliance program: Best practices and strategies for success*. New Jersey: John Wiley & Sons, Inc., 2008.
- Fox, T. *Lessons Learned on Compliance and Ethics: The Best from the FCPA Compliance and Ethics Blog*. Middletown: Ethics 360 Media, 2012.
- Lam, J. *Enterprise Risk Management: From Incentives to Controls*. New Jersey: John Wiley & Sons, Inc., 2014.

Online resources:

- The Financial Reporting Council Limited. *Corporate Culture and the Role of Boards. Report of Observations.* London, 2016. Available online: <https://www.frc.org.uk/getattachment/3851b9c5-92d3-4695-aeb2-87c9052dc8c1/Corporate-Culture-and-the-Role-of-Boards-Report-of-Observations.pdf>.
- The Financial Reporting Council Limited. *The UK Corporate Governance Code.* London, 2016. Available online: <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>.

Documentaries:

- ICA webinar on integrating Governance, Risk Management and Compliance: https://www.youtube.com/watch?v=rwJk9cNnGvU
- The Great Dictator speech by Charlie Chaplin (with English subtitles): https://www.youtube.com/watch?v=GU_rn1xzItk