

# ELECTRONIC SIGNATURES IN THE CZECH REPUBLIC

## WHAT IT MEANS FOR HR?



### What is an electronic signature?

- ▶ An electronic signature is a technical process logically associated with a document in which two (or more) individuals or organizations (the signatories) agree to rely on in order to express their intent to sign.
- ▶ Three components are necessary: a document, a signatory and an e-signature tool. While the tool most commonly used for handwritten signatures is a simple pen, electronic signature tools are more complex.
- ▶ The term "electronic signature" is a broad category that encompasses many types (or levels) of electronic signatures. Depending on the country it is used in, there are differences in purpose, technical implementation, legal and cultural acceptance of electronic signatures.
- ▶ Most civil law countries (including the EU and most countries in South America and Asia) support a "tiered" approach with higher levels of signature called digital or qualified electronic signatures.
- ▶ Most common law jurisdictions (US, Canada, Australia, etc.) are typically more technology-neutral.
- ▶ In addition, specific industries (e.g. healthcare or banking) or specific documents (e.g. marriage or adoption contracts) often require a higher level of e-signature or handwritten signature.



### What are the laws and regulations in the Czech Republic?

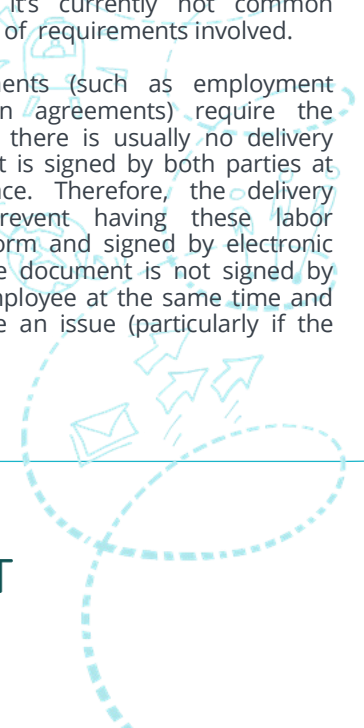
The Act on trust services for electronic transactions 297/2016 implemented the eIDAS Regulation in the Czech Republic. The Act allows any kind of electronic signature in legal acts between private parties.

On July 1, 2016, Regulation (EU) No 910/2014 on electronic identification and trust services for electronic transactions in the internal market (the "eIDAS Regulation") came into force and replaced the former EU Directive on electronic signatures (1999/93/EC). The eIDAS Regulation, directly applicable in the member countries of the European Union, brought uniformity - and much needed clarity - among the EU member states' local legislation on electronic signatures.

**Note that the delivery method of important labor documents is limited.** This includes legal acts relating to the creation/amendment/termination of the employment relationship and actions relating to an employee's pay.

These documents must be delivered to an employee personally at work. In cases where that's not possible, these documents may be delivered via postal mail. While there is a method under the law to send key labor documents electronically, it's currently not common practice due to the number of requirements involved.

When contractual documents (such as employment contracts and termination agreements) require the signature of both parties, there is usually no delivery requirement if the contract is signed by both parties at the same time and place. Therefore, the delivery requirements do not prevent having these labor documents in electronic form and signed by electronic signature. However, if the document is not signed by both the employer and employee at the same time and place, the delivery may be an issue (particularly if the employee signs first).



# Are electronic signatures valid?

## Yes! Not only e-signatures are valid ...



Under eIDAS, a valid electronic signature may be **simple**, **advanced** or **qualified**.

All three levels of signature are legally **valid** and defensible in court.

However, the **probative value** (ie. how easily the validity of the signature can be proven in court) will vary depending on the type (or level) of electronic signature as illustrated by the graph.

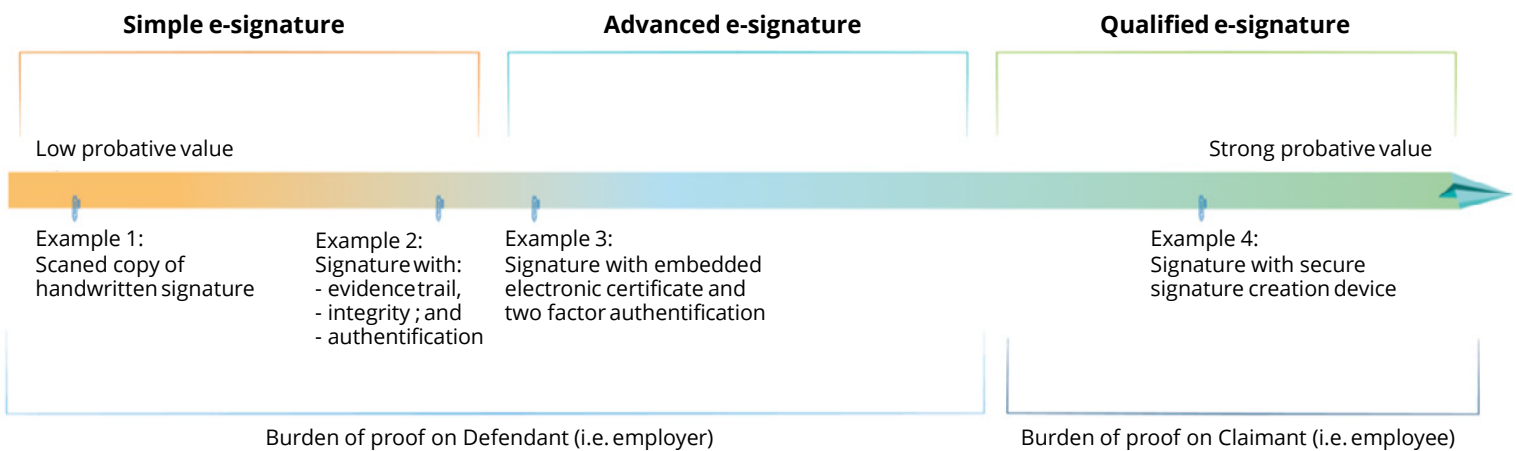
## ... But they are actually more secure

E-signatures almost always offer higher guaranties than handwritten signatures, regardless of the level of the e-signature being used:

-the **evidence trail** associated with superior electronic signature tools will allow defendant to prove the validity of the signature.

-the use of time-stamping and encryption technologies will provide a much higher level of confidence in the **integrity** of an electronically-signed document compared to the limited level of protection provided by a handwritten original (unless notarized).

## Probative value scale



For **simple and advanced electronic signatures**, it is the employer's responsibility to bring evidence of the validity of the signature if an employee challenges the document.

**Advanced signature** solutions typically offer a more robust evidence file in that regard than simple e-signatures solutions.

**Qualified electronic signatures** offer the same probative value as a handwritten signature ► it is the responsibility of the party challenging the validity of the signature (most likely the employee) to bring evidence of the signature's invalidity.

# What level of e-signature is recommended for HR documents?

The vast majority of HR-related documents are suitable for simple or advanced electronic signatures. Simple and advanced electronic signature are recommended for documents with a risk factor ranging from low to medium. These are often external documents with limited risk and typically include employment agreements, company policies, employee handbook, performance reviews, expense report, etc.

Qualified electronic signatures or handwritten signatures would only be justified in limited cases for very sensitive documents such as credit or life insurance agreements or when specifically required by law (e.g. specific healthcare documents).



## HR Best Practices

Many employers elect to use different electronic signature solutions depending on the type of document being signed.

In Europe, customers typically use an advanced electronic signature for employment agreements and rely on a strong simple e-signature solution for other less sensitive HR documents such as policies and performance reviews.

However, this decision also depends on an employer's internal culture and its level of risk-adversity.

In the Czech Republic, employers must also consider that the delivery method of important labor documents is limited (including legal acts relating to the creation/amendment/termination of the employment relationship and actions relating to an employee's pay).



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