

## **LAW**

### **On Information and Consultation with Employees of Multinational (Community-Scale) Undertakings, Groups of Undertakings and Companies**

Promulgated in the State Gazette No 57 of 14.07.2006, in force from the date of enforcement of the Accession Treaty of the Republic of Bulgaria to the European Union

#### **Chapter One**

##### **GENERAL PROVISIONS**

###### **Subject**

###### *Article 1*

This Law shall regulate the terms and procedure of the establishment and operation of a European Works Council or another procedure for informing and consulting of employees in multinational (Community-scale) undertakings and groups of undertakings and in defining their participation in the activities of the European company (SE) or the European Cooperative Society (SCE).

###### **Objective**

###### *Article 2*

The objective of this Law is to ensure the right to information and consultation of employees in multinational (Community-scale) undertakings, groups of undertakings, European companies (SE) or European Cooperative Societies (SCE) to participate in their management, and to ensure that their interests are represented by means of special bodies or by using a special procedure envisaged by the Law.

###### **Principles**

###### *Article 3*

The employer and the employees' representatives shall work in a spirit of cooperation, mutual concessions and with due regard for the interests of each party..

#### **Chapter Two**

##### **INFORMATION AND CONSULTATION WITH EMPLOYEES OF MULTINATIONAL (COMMUNITY-SCALE) UNDERTAKINGS AND GROUPS OF UNDERTAKINGS**

###### **Obligations of the central management of the undertaking**

#### *Article 4*

(1) The information and consultation with employees of multinational (Community-scale) undertakings, groups of undertakings and companies shall be carried out by means of a European Works Council or a procedure of information and consultation.

(2) The central management of the multinational (Community-scale) undertaking seated in the Republic of Bulgaria, and in the case of multinational groups of undertakings – the central management of the controlling undertaking seated in the Republic of Bulgaria shall create the conditions and means necessary for the setting up of a European Works Council or another procedure for informing and consulting of employees.

(3) The central management shall, on its initiative or at the written request of at least 100 employees or their representatives in at least two undertakings or establishments in at least two different Member States, open negotiations for conclusion of an agreement for establishment of an European Works Council or another procedure for informing and consulting of employees.

(4) The bodies under paragraph 2 shall inform the management of the trade unions and representatives of employees within the meaning of Article 7, paragraph 2 of the Labour Code at the undertaking operating on the territory of the Republic of Bulgaria, as well as the management of undertakings operating on the territory of another Member State – establishment of a multinational (Community-scale) undertaking or group of multinational undertakings for opening of negotiations for conclusion of an agreement under paragraph 3.

(5) Where the central management of a multinational (Community-scale) undertaking or of the controlling undertaking of a multinational group of undertakings are situated in a country, which is not a Member State, the obligations under paragraphs 1 to 3 shall be executed by the management of the undertaking seated in the Republic of Bulgaria which is an establishment of the multinational undertaking or group of multinational undertakings, provided it is nominated for a representative of the multinational undertaking or a cooperative undertaking.

(6) In the cases under Article 4, provided that the central management of the multinational undertaking or of the controlling undertaking has not elected its representative in either of the Member Countries, the management of the undertaking seated in the territory of the Republic of Bulgaria shall execute its obligations under paragraphs 2 to 4, provided it is the undertaking with the greatest number of employees in comparison with the rest of the establishments or undertakings.

#### **Representatives of the employees in the special negotiating body and in the European Works Council**

#### *Article 5*

(1) Employees in a multinational (Community-scale) undertaking or controlling undertaking seated in the territory of the Republic of Bulgaria as well as employees in undertakings that are establishments of multinational (Community-scale) undertakings or an undertaking of group of multinational undertakings, seated in the territory of the Republic of Bulgaria, shall elect at a General Assembly, convened within the provisions of Article 6a of the Labour Code, its representatives for participation in the special negotiating body under Article 6.

(2) Employees under paragraph 1 shall elect their representatives in the European Works Council under Article 10 without prejudice to the place of its establishment – the Republic of Bulgaria or another Member State.

(3) The General Assembly may concede the functions within the meaning of paragraph 1 and paragraph 2 to representatives elected by the management of the trade unions or to representatives of the employees under Article 7, paragraph 2 of the Labour Code.

(4) The candidatures for election of representatives of the employees may be proposed by single employees, by groups of employees as well as by trade unions in the undertakings.

(5) The General Assembly shall adopt its decisions under paragraphs 1 to 3 by simple majority vote of the persons present.

### **Special negotiating body**

#### *Article 6*

(1) In the negotiations within the meaning of Article 4, paragraph 3, the workers and employees shall be represented by a special negotiating body.

(2) The special negotiating body shall have a minimum of three members.

(3) The central management of the undertaking as referred to in Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 and paragraph 6 shall determine the number of the members of the special negotiating body so as each Member State, in which the multinational (Community-scale) undertaking has one or more establishments or one or more controlled undertakings, may have at least one representative.

(4) The central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking within the meaning of Article 4, paragraph 5 and paragraph 6 shall determine the number of supplementary members of the special negotiating body in accordance with the proportion of the number of employees working in the multinational undertaking and its establishments or group of multinational undertakings, executing business activities on the territory of the Republic of Bulgaria, to the number of workers and employees in these undertakings or branches in all Member States as a whole, allocating one seat for each 25 per cent.

(5) The special negotiating body shall inform the central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 and paragraph 6, as well as the management of the undertakings, executing their activities in another Member State and being establishments of a multinational undertaking or group of multinational undertakings, about its composition.

### **Negotiations for concluding of an agreement**

#### *Article 7*

(1) The special negotiating body in cooperation with the central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 or paragraph 6 shall have the task to determine, on the basis of a written agreement, the scope, composition, functions and the term of office of the European Works Council or the arrangements for implementing another procedure for information and consultation of employees.

(2) The central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 or paragraph 6 shall start negotiations with the special negotiating body, by advising thereof its members and the management of the undertaking which is a subsidiary of the multinational (Community-scale) undertaking or group of multinational (Community-scale) undertakings within one month following the date of notification of the composition of the special negotiating body under Article 6, paragraph 5.

(3) The special negotiating body may be assisted by experts chosen by it.

(4) The special negotiating body may decide, by majority of two-thirds of the votes, not to open negotiations in accordance with paragraph 2 or to terminate the negotiations, which it has already opened. Provided such a decision is taken, the provisions of Article 10 and Article 11 shall not apply.

(5) A new request to convene the special negotiating body may be submitted at earliest two years after above-mentioned decision under paragraph 4, unless the negotiating parties lay down a shorter period.

(6) Any expenses relating to the negotiation referred to in paragraph 1 and paragraph 2 shall be borne by the central management within the meaning of Article 4, paragraph 2 or the management of the undertaking under Article 4 paragraph 5 and paragraph 6.

### **Content of the agreement**

#### *Article 8*

(1) The central management within the meaning of Article 4, paragraph 2 or the management of the undertaking pursuant to Article 4, paragraph 5 and paragraph 6 and the special negotiating body shall negotiate in a spirit of cooperation for reaching of an

agreement on the procedure and the conditions for information and consultation of the employees.

(2) The agreement referred to in paragraph 1 shall determine

1. the undertakings of a group of undertakings or the establishments of undertakings which are covered by the agreement;
2. the composition of the European Works Council, the number of members, allocation of places and mandate;
3. the functions and the procedure for information and consultation of the European Works Council;
4. the venue, frequency and duration of meetings of the European Works Council;
5. the financial and material resources to be allocated to the European Works Council;
6. the cases under which the agreement may be amended, as well as the procedure for such amendment. The agreement may be amended if necessary due to structural changes of the undertaking or its establishments after their establishment;
7. the date of entry of the agreement into force, and its duration;
8. any other matters which are of mutual interest for the parties;

(3) By means of the agreement under paragraph 1, the parties may decide to apply the standard rules under Article 10 and Article 11 at the time of the establishment of the European Works Council.

(4) The parties, which participate in the negotiations under paragraph 1, may conclude a written agreement on the establishment of one or more information and consultation procedures instead of a European Works Council.

(5) The agreement provided for in paragraph 4 shall provide for the terms and procedure that will make it possible for the employees' representatives to meet and discuss the information transmitted to them, which should apply in the first place to multinational matters of major importance to the interests of employees.

(6) For the purpose of concluding agreements under paragraphs 1 and 4, the special negotiating body shall rule by simple majority of the votes.

### **Implementation of standard rules**

#### *Article 9*

Where the central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 or paragraph 6 refuses to open negotiations within six months of the request pursuant to Article 4, paragraph 3, or where the negotiations may have opened, but three years after the date of the request no agreement was concluded, and where the special negotiating body has not decided to discontinue the negotiations opened, the relevant management must ensure the necessary conditions and means for the establishment of the European Works Council applying the standard rules for establishment, information and consultation of the European Works Council under Article 10 and Article 11.

### **Standard rules for the Establishment of the European Works Council**

#### *Article 10*

(1) The central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 and paragraph 6 shall inform the representatives under Article 5, paragraph 1 and in case no representatives have been elected – the management of the trade unions and the representatives under Article 7, paragraph 2 of the Labour Code, as well as the management of other undertakings, of establishment of a European Works Council. The notification shall specify the deadline within which employees' representatives shall be elected to the European Works Council.

(2) The European Works Council under paragraph 1 shall consist of employees' representatives of multinational (Community-scale) undertaking or group of undertakings, elected or appointed pursuant to the national legislation and/or to the established national practice.

(3) The European Works Council under paragraph 1 shall comprise no less than three and no more than 30 members. Depending on the number of its members, the European Works Council may form a select committee from among its members, with a composition of up to three persons. The Council shall determine its rules of procedure.

(4) The central management of the undertaking under Article 4, paragraph 2 or the management of the undertakings under Article 4 paragraph 5 or paragraph 6 shall determine the number of their members on the European Works Council in such a way, as each Member State where the multinational Community-scale undertaking has one or more than one establishments or one or more than one controlled establishments, shall have one or more than one representative.

(5) The central management of the undertaking under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 or paragraph 6 shall determine the number of the supplementary members of the special negotiating body in compliance with the proportion of the number of employees in the multinational (Community-scale) undertaking and its establishments or undertakings from group of multinational (Community-scale) undertakings, executing business activities on the territory of the Republic of Bulgaria, to the number of workers and employees in those

undertakings and establishments in all Member States, allocating one seat for each portion of 25 employees.

(6) The European Works Council shall advise the central management of the undertaking under Article 4, paragraph 2 or the central management of the undertaking under Article 4, paragraph 5 and paragraph 6, of its composition..

(7) Within four years after its establishment, the European Works Council shall decide whether to open negotiations with a view to the conclusion of an agreement under Article 8, or to continue implementing the standard rules. In this case, the European Works Council shall perform the functions of a special negotiating body.

(8) No European Works Council may be established in a European company or in a European Cooperative Society with a seat in the Republic of Bulgaria, if they are multinational (Community-scale) undertakings or controlling undertakings, unless the respective special negotiating bodies of these companies decide not to open negotiations or to terminate negotiations already opened, and to set up such a European Works Council.

(9) The rules for establishment of European Works Council in the Republic of Bulgaria shall not affect the rights of employees to informing and consulting, granted to them by the Labour Code in the event of change of the employer and collective redundancies.

### **Standard rules for information and consultation with the European Works Council**

#### *Article 11*

(1) The European Works Council shall receive information and shall carry out consultations on matters of importance to the multinational (Community-scale) undertaking or to the multinational (Community – scale) group of undertakings in general or concerning at least two of its subsidiaries or two undertakings of a multinational Community-scale group of undertakings situated in different Member State of the European Union.

(2) In the event of matters pertaining to Article 4, paragraph 5 and paragraph 6, the European Works Council shall receive information and shall carry out consultations on matters of importance to all the subsidiaries of the multinational (Community-scale) undertaking or to the multinational (Community-scale) group of undertakings situated in Member State of the European Union, or concerning at least two of its subsidiaries or two undertakings of a multinational (Community- scale) group of undertakings situated in different Member States.

(3) The European Works Council has the right to be informed and consulted pursuant to paragraph 2. For that purpose, it shall hold meetings with the central management under Article 4, paragraph 2 or the management of the undertaking under Article 4, paragraph 5 or paragraph 6 at least once a year. On the basis of its report on the development of the activities of the multinational (Community-scale) undertaking or the

multinational (Community-scale) group of undertakings, the meetings shall discuss matters concerning the state of activities of the multinational (Community-scale) undertaking or multinational (Community-scale) group of undertakings, namely:

1. the structure of the undertakings or establishments;
2. the economic and financial status of undertakings or establishments;
3. the possible development of activities and of production and sales;
4. the status and possible development of employment in the undertaking;
5. investments and major changes in the organisation, the introduction of new methods of work or new production processes;
6. the introduction of new methods of work or new industrial processes;
7. the transfer, merger, reducing the volume of work or closure of undertakings, establishments or autonomous parts of undertakings;
8. expected collective redundancies;
9. any other matters which are of mutual interest for the parties.

(4) In the event of exceptional circumstances which have a strong effect on the interests of employees, in the event of transfer, closure of subsidiaries or undertakings or collective redundancies, the select committee, or, if such a committee does not exist, the European Works Council, has the right to meet with the central management or with another more appropriate level of management in a multinational (Community-scale) undertaking or a multinational (Community-scale) group of undertakings, empowered to take decisions in order to be informed and to hold consultations concerning certain measures, affecting the interests of employees.

(5) Where the meeting under paragraph 4 is organised with the participation of the select committee, the members of the European Works Council elected or appointed by the subsidiaries and/or by the undertakings directly affected by the envisaged measures, may participate in it, too.

(6) The meeting under paragraph 4 shall be held in due time. It shall hear a report prepared by the central management or by another appropriate management level of the multinational (Community-scale) undertaking or of the multinational (Community-scale) group of undertakings, which could serve as a basis for the formulation of an opinion. That statement shall not affect the prerogatives of the central management.

(7) Before any meeting with the central management, the European Works Council or the standing committee and the members of the European Works Council, participating in the meeting under paragraph 5, shall have the right to meet, without the members of the respective management being present.



(8) The members of the European Works Council shall advise the employees about the content of the information, transmitted to them and the results of the consultations held.

(9) The European Works Council or the select committee may be assisted by experts of their choice, insofar as this is necessary for the performance of their tasks.

(10) Any expenses relating to the activities of the European Works Council shall be borne by the central management under Article 4, paragraph 2 and by the management of the undertaking under Article 4, paragraph 5 and paragraph 6. The management shall allocate to the members of the European Works Council such financial and material means that will enable it to carry out its task in an appropriate manner. The management shall also bear the cost of organizing meetings and providing interpretation facilities and the accommodation and travelling expenses of the members of the European Works Council and its select committee.

### **Chapter Three**

#### **INFORMATION AND CONSULTATION WITH EMPLOYEES IN THE EVENT OF THE ESTABLISHMENT OF A EUROPEAN COMPANY (SE)**

##### **Obligation for informing**

###### *Article 12*

Where the management or administrative organs of the participating companies draw up a plan for the establishment of a European company (SE), as soon as possible after publishing the draft terms of merger or creating a holding company or after agreeing a plan to form a subsidiary or to transform into an European company, the management of the participating companies operating on the territory of the Republic of Bulgaria, participating in the establishment of an European company, shall provide the labour unions and employees' representatives under Article 7, paragraph 2 of the Labour Code with information about the participating companies, the relevant subsidiaries or establishments and the number of their employees, with the purpose of establishment of a special body to start negotiations about the involvement of employees in the activities of an European company.

##### **Representatives of employees in the special negotiating body and the representative body in the event of establishment of an European Company**

###### *Article 13*

(1) Employees of undertakings carrying out business activities on the territory of the Republic of Bulgaria and participating in the establishment of European Company shall elect at a General Assembly, convened under Article 6a of the Labour Code, their representatives for participation in the special negotiating body under Article 14.

(2) Employees under paragraph 1 shall also elect their representatives in the representative body under Article 17, notwithstanding the establishment of this body in the Republic of Bulgaria or in another State.

(3) The General Assembly may transfer its functions under paragraphs 1 and 2 to representatives elected by the management of the trade unions or representatives of the employees under Article 7, paragraph 2 of the Labour Code.

(4) The candidatures for election of representatives of the employees may be proposed by single employees, by groups of employees as well as by trade unions in the undertakings.

(5) The General Assembly shall adopt its decisions under paragraphs 1 to 3 by simple majority vote of the persons present.

(6) The number of representatives under paragraph 1 and paragraph 2 shall be elected or appointed in proportion of the number employees employed in the participating legal entities and concerned subsidiaries or establishments, executing business activities on the territory of the Republic of Bulgaria, to the number of employees employed in undertakings and relevant subsidiaries and establishments in all the Member States taken together, by allocating one seat per each portion of employees which equals 10 per cent.

(7) Provided the proportion under paragraph 6 changes, the number of employees' representatives shall be set in compliance with the changes occurred.

(8) In case that the European company is established by way of merger, additional members shall be elected, so as to guarantee that at least one member is included in the special negotiating body representing each of the merged companies or establishments, insofar as:

1. the number of such additional members does not exceed 20 per cent of the number of members designated by virtue of paragraph 6, and

2. the composition of the special negotiating body does not entail a double representation of the employees concerned.

(9) Where the number of merging companies exceeds the restriction set out in paragraph 8, item 1, the additional seats shall be allocated among the companies of the different Member States by decreasing order of the number of employees.

(10) The election of representatives of the employees under paragraph 1, the participating companies, operating on the territory of the Republic of Bulgaria, may negotiate that, without increasing the overall number of members of the special negotiating body, corresponding to the proportion under Article 4 and the requirements of paragraph 6 and the requirements of paragraph 8, each of them shall have its representative in this body.

## **Rules of procedure of the special negotiating body**

### *Article 14*

(1) The special negotiating body and the management bodies of the participating companies shall determine, by written agreement, the arrangements for the involvement of employees within the European company.

(2) Before concluding the agreement, the management bodies of the participating companies shall inform the special negotiating body of the plan and the actual process of the establishing the European company, prior to its registration.

(3) Each member of the special negotiating body shall have one vote. The special negotiating body shall take decisions by an absolute majority of its members, provided that such majority also represents an absolute majority of the workers and the employees in the European company.

(4) Should the result of the negotiations lead to reduction of the participation rights, the majority required under paragraph 3 shall consist of the votes of two thirds of the members of the special negotiating body, representing at least two thirds of the employees, including the votes of the members, representing employees, employed in at least two Member States, provided that:

1. The European Company is established by way of merger, if the participation covers at least 25 per cent of the total number of employees in the participating companies;

2. The European Company is established by creating a holding company or by forming a subsidiary, if the participation covers at least 50 per cent of the overall number of employees in the participating companies.

(5) The special negotiating body may request experts of its choice, including representatives of appropriate Community level trade union organisations, to assist it with its work. Such experts may be present at negotiation meetings in an advisory capacity at the request of the special negotiating body, where appropriate.

(6) The special negotiating body may decide not to open negotiations, or to terminate negotiations already opened, and to decide to apply the rules on information and consultations of employees in force in the Member States where the European company has employees. Such a decision shall stop the procedure to conclude the agreement referred to above.

(7) The decision under paragraph 6 shall be adopted by the votes of two thirds of the members of the special negotiating body representing at least two thirds of the employees in the European company, if they are representatives of employees in at least two Member States.

(8) If the European Company is established by way of transformation, and rules for the participation of employees in the company, which will be established by transformation, have already been adopted, the provisions of paragraph 6 and paragraph 7 shall not apply.

(9) The special negotiating body shall be reconvened on the written request of at least 10 per cent of the employees of the European company, its subsidiaries and establishments, or their representatives, the special negotiating body may be convened at the earliest two years after the decision mentioned in paragraph 6, unless the parties agree to negotiations being reopened sooner. If the special negotiating body decides to reopen the negotiations, but no agreement is reached, none of the provisions of Article 17 through Article 19 shall apply.

(10) Any expenses relating to the functioning of the special negotiating body shall be borne by the participating companies.

### **Content of the Agreement**

#### *Article 15*

(1) The special negotiating body and the management bodies of the participating companies shall negotiate in a spirit of cooperation with a view to reaching an agreement on arrangements for the involvement of the employees within the European company.

(2) Negotiations in the meaning of Article 14 shall begin as soon as the special negotiating body is established, and may continue for six months thereafter. The parties may decide, by joint agreement, to extend negotiations beyond the period referred to above, up to a total of one year from the establishment of the special negotiating body.

(3) The above-mentioned agreement shall specify the following:

1. the companies it applies to;
2. the composition, number of members and allocation of seats on the representative body;
3. the functions and the procedure for the information and consultation of the representative body;
4. the frequency of meetings of the representative body;
5. the financial and material resources to be allocated to the representative body;
6. the arrangements for implementing of one or more information and consultation procedures if, during the negotiations, the parties have decided to establish such procedures, instead of establishing representative body;

7. the nature of arrangements for participation, if, during negotiations, the parties have decided to establish such arrangements, including the number of members in the European company's administrative or supervisory body which the employees will be entitled to elect, appoint, recommend or oppose, the procedures as to how these members may be elected, appointed, recommended or opposed by the employees, and their rights;

8. the cases under which the agreement may be amended, as well as the procedure for such amendment. The agreement may be amended if necessary due to structural changes of the undertaking or its establishments or subsidiaries after their establishment;

9. the date of entry into force of the agreement and its duration;

10. any other matters which are of mutual interest for the parties.

(4) By the agreement under paragraph 1, the parties may decide, at the establishment of the representative body, to apply the standard rules under Article 17 through Article 19.

(5) In the cases under paragraph 3, item 7, the agreement shall provide for at least the same level of all the elements of employees' involvement as the ones existing in the company prior to its transformation into an European company.

### **Application of standard rules**

#### *Article 16*

(1) Whenever the special negotiating body and competent organs of the participating companies have agreed accordingly under Article 15, paragraph 4, the standard rules concerning establishment, information and consultation of the representative body and involvement under Articles 17 through 19 shall apply.

(2) The standard rules under Articles 17 through 19 shall apply if the special negotiating body and the competent organs of the participating companies have not reached agreement within the deadlines stipulated in Article 15, paragraph 2, and the central management of each of the participating companies has decided to apply the standard rules in respect of the European company and to pursue its registration, but the special negotiating body has not adopted the decision provided for in Article 14, paragraph 6 for application of the rules for information and consultation of employees in force in the Member States, where the European company has its employees.

(3) The standard rules for participation pursuant to Article 18 shall apply to the European company established in the Republic of Bulgaria in the following cases only:

1. if the company which is transformed into a European company has already applied the rules for participation of the employees in the management or supervisory bodies; or

2. if, prior to the registration of the European company established by means of a holding company or a subsidiary, one or more forms of participation applied by one or more of the participating companies covering at least 50 per cent of the total number of employees in all the participating companies; or

3. if, prior to the registration of the European company established by setting up a holding company or a subsidiary, one or more forms of participation applied by one or more of the participating companies covering at least 50 per cent of the total number of employees in all the participating companies, and if the special negotiating body so decides, or

4. if, prior to the registration of the European company established by merger, one or more forms of participation applied by one or more of the participating companies covering at least 25 per cent of the total number of employees in all the participating companies, or

5. if, prior to the registration of the European company established by merger, one or more forms of participation applied by one or more of the participating companies covering at least 25 per cent of the total number of employees in all the participating companies, and if the special negotiating body so decides;

(4) In the cases under paragraph 3, item 2 and item 3, if more than one form of participation was used in the different participating companies, the special negotiating body may decide which one of the forms must be established in the European company; the special negotiating body shall inform the management bodies of the participating companies of its decision.

### **Standard rules for establishment of a representative body**

#### *Article 17*

(1) In order to ensure conditions for the involvement of employees in the activities of the European company, a representative body of the employees shall be established in every European company seated in the Republic of Bulgaria following its registration.

(2) The representative body shall be composed of employees of the European company and its subsidiaries and establishments, elected or appointed in accordance with national legislation and/or practice of the Member State where the elections are held.

(3) The representative body shall adopt its rules of procedure.

(4) Where its size so warrants, the representative body shall elect a select committee from among its members, comprising three members at the most.

(5) The representative body shall inform the competent organ of the European company of its composition.

(6) Within four years after the representative body is established, it shall examine whether to open negotiations for the conclusion of the agreement referred to in Article 15 or to continue to apply the standard rules adopted in accordance with Article 18 and Article 19. If representative body adopts a decision to negotiate an agreement, it shall perform the functions of a special negotiating body pursuant to the provisions of Article 14.

(7) Under the circumstances of the paragraph 6 above, where, within the deadline by which the negotiations pursuant to Article 15, paragraph 2 have come to an end, and no agreement has been concluded, the standard rules introduced by Article 18 and Article 19 shall continue to apply.

### **Standard rules for information and consultation with the representative body**

#### *Article 18*

(1) The representative body shall have the right to information and its competence shall be limited to questions which concern the European company itself and any of its subsidiaries or establishments situated in another Member State of the European Union or which exceed the powers of the decision-making organs in a single Member State.

(2) The representative body shall have the right to be informed and consulted and, for that purpose, to meet with the competent organ of the European company at least once a year. The local management shall be informed accordingly.

(3) On the basis of regular reports drawn up by the competent organ on the progress of the business of the European company and its prospects for development, the meeting shall discuss in particular issues concerning:

1. the structure;
2. the economic and financial situation
3. the probable development of the business and of production and sales;
4. the situation and probable trend of employment;
5. investments and substantial changes concerning organisation;
6. introduction of new working methods or production processes;
7. transfers of production, mergers or cut-backs or closures of undertakings, establishments or independent parts thereof;
8. envisaged collective redundancies;
9. any other matters which are of mutual interest for the parties.

(4) The central management of the European company shall present to the Representative Body the agenda of the meetings of the central management or, if necessary to the management and the supervisory body, as well as copies of all documents, presented at the General Meeting of the shareholders.

(5) In the event of exceptional circumstances affecting the employees' interests to a considerable extent, particularly in the event of relocations, transfers, the closure of establishments or undertakings or collective redundancies, the representative body or upon its decision, the elected select committee shall have the right to meet the competent organ of the European company or any more appropriate level of management having its own powers of decision, so as to be informed and consulted on measures significantly affecting employees' interests.

(6) In the event referred to in paragraph 5, where the central management decides not to act in accordance with the opinion expressed by the representative body, this body shall have the right to a further meeting with the competent organ of the European company with a view to seeking agreement.

(7) If a meeting under paragraph 5 is organised with the select committee, those members of the representative body who represent employees who are directly concerned by the measures in question, shall also have the right to participate.

(8) The meetings referred to above shall not affect the prerogatives of the central management.

(9) Before any meeting with the competent organ of the European company, the representative body or the select committee, and the members of the representative body pursuant to paragraph 7, shall be entitled to meet, without the representatives of the competent organ being present.

(10) Without prejudice to the provisions of Article 29, the members of the representative body shall inform the representatives of the employees of the European company and of its subsidiaries and establishments of the content and outcome of the information and consultation procedures.

(11) The representative body or the select committee may be assisted by experts of their choice.

(12) The costs of the representative body shall be borne by the European company, which shall provide the body's members with the financial and material resources needed to enable them to perform their duties in an appropriate manner. Unless otherwise agreed, the European company shall bear the cost of organising meetings and providing interpretation facilities and the accommodation and travelling expenses of members of the representative body and the select committee.

### **Standard rules for participation**

#### *Article 19*



(1) In the case of an European company established in the Republic of Bulgaria, the employees of the European company and of its subsidiaries and establishments and/or their representative body shall have the right to elect, appoint, recommend or oppose the appointment of a number of members of the administrative or supervisory body of the European company equal to the proportion in force in the participating companies concerned before registration of the European company.

(2) In the case of an European company in the Republic of Bulgaria being established by transformation, the rules for participation of employees in the representative or supervisory bodies, applied before registration of the company shall continue to apply after its registration.

(3) The provisions of paragraph 1 shall not apply if, prior to the registration of the European company in the Republic of Bulgaria, none of the participating companies has implemented the rules for participation.

(4) The representative body shall decide on the allocation of seats within the administrative or supervisory body among the members representing the employees from the various Member States, or on the way in which the European company's employees may recommend or oppose the appointment of the members of these bodies according to the proportion of the European company's employees in each Member State.

(5) If the employees of one or more than one Member States are not covered by the proportion criterion under paragraph 4, the representative body shall appoint a member from one of those Member States.

(6) Every Member State may determine the allocation of the seats it is given under paragraph 4 in accordance with its national legislation and/or established national practice.

(7) Every member of the administrative or supervisory body of the European company who has been elected, appointed or recommended by the representative body or by the employees, shall be a full member with the same rights and obligations as the members representing the shareholders, including the right to vote.

(8) If rules for participation are established in the Bulgarian legislation, which are different from the standard rules for participation, they shall not apply.

## **Chapter Four**

### **INFORMATION AND CONSULTATION WITH EMPLOYEES IN THE EVENT OF ESTABLISHMENT OF A EUROPEAN COOPERATIVE SOCIETY (SCE)**

#### **Obligation for information**

##### *Article 20*

Where the management or administrative organs of participating legal entities draw up a plan for the establishment of an European Cooperative Society, the management bodies of the legal entities established in the Republic of Bulgaria and participating in the establishment of the European Cooperative Society shall, as soon as possible, take the necessary steps by transmitting to the trade union organisations and to the employees' representatives under Article 7, paragraph 2 of the Labour Code information concerning the identity of the participating legal entities and concerned subsidiaries or establishments, as well as concerning the number of their employees, so as to establish a special negotiating body which will open negotiations on arrangements for the involvement of employees in the European Co-operative Society (SCE).

**Representatives of workers and employees in the special negotiating body and in the representative body in the event of establishment of an European Cooperative Company**

*Article 21*

(1) Employees in the companies operation on the territory of the Republic of Bulgaria and participating in the establishment of European Cooperative Society (SCE) shall elect at a General Meeting, convened under Article 6a of the Labour Code, their representatives for participation in the special negotiating body referred to in Article 22.

(2) The employees under paragraph 1 shall elect their representatives in the Representative Body referred to in Article 25, notwithstanding whether that body is established in the Republic of Bulgaria or in another Member State.

(3) The General Assembly may concede its functions under paragraph 1 and paragraph 2 to representatives appointed by the management of the trade unions or to representatives of employees within the meaning of Article 7, paragraph 2 of the Labour Code.

(4) The candidatures for election of representatives of the employees may be proposed by single employees, by groups of employees as well as by trade unions in the undertakings.

(5) The General Assembly shall adopt its decisions under paragraph 1 and paragraph 2 by simple majority of the persons present.

(6) The number of members under paragraph 1 and paragraph 2 is determined in proportion of the number of employees employed in legal entities and concerned subsidiaries or establishments, executing business activities on the territory of the Republic of Bulgaria, to the number of employees employed in legal entities, subsidiaries or establishments all the Member States taken together by allocating one seat per each portion of employees which equals 10 per cent.

(7) In the event of change in the proportion under Article 4, the number of representatives of the employees shall be set in compliance with the changes occurred, making efforts to comply with the principle of equality between men and women.

(8) In the case of an European Cooperative Society being established by way of merger, stipulating that one of the cooperatives which is registered and has employees in the Republic of Bulgaria shall cease to exist as a separate legal entity, additional members shall be elected in order to ensure that the special negotiating body includes at least one member representing the cooperative, insofar as:

1. the number of such additional members does not exceed 20 per cent of the number of members designated by virtue of paragraph 6; and
2. the composition of the special negotiating body does not entail a double representation of the employees concerned.

(9) Where the number of merging cooperatives exceeds the limit of paragraph 8, item 1, the additional seats shall be allocated to cooperatives in different Member States by descending order of the number of employees they employ.

(10) As regards the election of employees' representatives under paragraph 1 the participating legal entities and concerned subsidiaries or establishments operating on the territory of the Republic of Bulgaria may agree that, without increasing the overall number of members in the special negotiating body, corresponding to proportion under paragraph 6 and the requirements of paragraph 8, each participating legal entity shall have its representative in the body, and should seek to promote gender balance.

### **Rules of work of the special negotiating body**

#### *Article 22*

(1) The special negotiating body and the management bodies of the participating legal entities shall determine, by written agreement, arrangements for the involvement of employees within the European Cooperative Society (SCE).

(2) Prior to their registration, the management bodies of the participating legal entities shall inform the special negotiating body of the plan and the actual process of establishing the European Cooperative Society, up to its registration.

(3) In the special negotiating body, each member shall have the right to one vote. The special negotiating body shall take decisions by an absolute majority of its members, provided that such a majority also represents an absolute majority of the employees in the European Cooperative Society.

(4) Should the result of the negotiations lead to a reduction of participation rights, the majority required under the paragraph 3 above shall be the votes of two thirds of the members of the special negotiating body representing at least two thirds of the

employees, including the votes of members representing employees employed in at least two Member States, in the case of:

1. European Cooperative Society (SCE) established by way of merger, if participation covers at least 25 per cent of the overall number of employees of the participating cooperatives, or
2. European Cooperative Society (SCE) established by any other way, provided for by Regulation (EC) 1435/2003 if participation covers at least 25 per cent of the overall number of employees of the participating legal entities.

(5) The special negotiating body may request experts of its choice, including representatives of appropriate Community level trade union organisations, to assist it with its work. Such experts may be present at negotiation meetings in an advisory capacity at the request of the special negotiating body, where appropriate to promote coherence and consistency at Community level.

(6) The special negotiating body may decide not to open negotiations or to terminate negotiations already opened, and to rely on the rules on information and consultation of employees in force in the Member States of the European Union where the European Cooperative Society has employees. Such a decision shall stop the procedure to conclude the agreement.

(7) The majority required to decide under paragraph 6 shall be the votes of two thirds of the members of the special negotiating body, provided that they represent at least two thirds of the employees of the European Cooperative Society, including the votes of members representing employees employed in at least two Member States.

(8) If the European Company is established by way of transformation, and rules for the participation of employees in the company, which will be established by transformation, have already been adopted, the provisions of paragraph 6 and paragraph 7 shall not apply.

(9) The special negotiating body shall be reconvened at the written request of at least 10 per cent of the employees of the European Cooperative Society (SCE), its subsidiaries and establishments, or their representatives, no sooner than two years after the decision under paragraph 6, unless the parties agree to negotiations being reopened sooner. If the special negotiating body decides to resume the negotiations, but it cannot reach an agreement, the provisions of Article 25 through Article 27 shall not apply.

(10) Any expenses relating to the functioning of the special negotiating body shall be borne by the participating legal entities.

## **Content of the Agreement**

### *Article 23*

(1) The special negotiating body and the management bodies of the participating legal entities shall negotiate in a spirit of cooperation, with a view to reaching an agreement on arrangements for the involvement of the employees within the European Cooperative Society.

(2) Negotiations shall commence as soon as the special negotiating body is established, and may continue for six months thereafter. The parties may decide, by joint agreement, to extend negotiations beyond the above-mentioned period, up to a total of one year from the establishment of the special negotiating body.

(3) The agreement shall specify:

1. the legal entities the agreement applies to;
2. the composition, number of members and allocation of seats on the representative body;
3. the functions and the information and consultation procedure of the representative body;
4. the frequency of the meetings of the representative body;
5. the financial and material resources to be allocated to the representative body;
6. if, during negotiations, the parties decide to establish one or more than one information and consultation procedures instead of a representative body, the arrangements for implementation of those procedures;
7. if, during negotiations, the parties decide to establish arrangements for participation, the substance of those arrangements including the number of members in the European Cooperative Society's administrative or supervisory body which the employees will be entitled to elect, appoint, recommend or oppose, the procedures as to how these members may be elected, appointed, recommended or opposed by the employees, and their rights;
8. the cases under which the agreement may be amended, as well as the procedure for such amendment. The agreement shall be renegotiated in the event of structural changes in the European Cooperative Society, its subsidiaries and establishments, which occur after their establishment;
9. the date of entry into force of the agreement and its duration;
10. any other matters which are of mutual interest for the parties.

(4) In terms of the arrangement under paragraph 1, the parties may decide, in the event of establishment of the representative body, to apply the standard rules as referred to in Article 25 through Article 27.

(5) In the cases under paragraph 3, item 7 the agreement shall provide for at least the same level for all the elements of employee involvement, as the ones existing in the cooperative, which was transformed into an European Cooperative Society.

### **Application of standard rules**

#### *Article 24*

(1) Provided that the special negotiating body and the management bodies of the participating legal entities adopt a decision under Article 22, paragraph 4, the standard rules for establishment, information and consultation of the representative body and participation as referred to in Article 24 through Article 26 shall apply.

(2) The standard rules under Article 24 through 26 shall also apply where the special negotiating body and the management bodies of the participating legal entities have not reached an agreement within the terms under Article 22, paragraph 2 and the central management or each of the participating legal entities has taken a decision to apply the standard rules concerning the European Cooperative Society and to continue its registration, but the special negotiating body has not taken the decision stipulated under Article 21, paragraph 6 to apply the rules for information and consultation of employees, in force in the Member States, where the European Cooperative Society has its employees.

(3) The standard rules set out in Article 27 shall apply concerning European Cooperative Society seated in the Republic of Bulgaria, only in the following cases:

1. if in the cooperative, which is transformed into an European Cooperative Society, the rules for participation of the employees in the administrative and supervisory bodies have applied; or

2. if before registration of the European Cooperative Society, established in a manner, different from the one stipulated in Regulation (EC) No 1435/2003, one or more than one forms of participation have been applied, covering at least 50 per cent of the total number of the employees, employed in one or more than one participating legal entities; or

3. if before the registration of the European Cooperative Society, established in a manner, different from the one stipulated in Regulation (EC) 1435/2003, one or more than one forms of participation have been applied, covering at least 50 per cent of the total number of the employees, employed in one or more than one participating legal entities, and provided that the special negotiating body so decides; or

4. if before the registration of the European Cooperative Society, established by way of merger, one or more than one forms of participation have been applied, covering at least 25 per cent of the total number of the employees; or

5. if before the registration of the European Cooperative Society, established by way of merger, one or more than one forms of participation have been applied, covering at least 25 per cent of the total number of the employees, and provided that the special negotiating body so decides;

(4) In the cases under paragraph 3, items 2 and 3, provided more than one form of participation existed at different legal entities, the special negotiating body shall decide which of those forms shall be applied in the European Cooperative Society, informing about it the management bodies of the participating legal entities.

### **Standard rules for establishment of a representative body**

#### *Article 25*

(1) In order to ensure conditions for the involvement of employees in the activities of an established European Cooperative Society, a body representative of the employees shall be set up in every European Cooperative Society operating in the Republic of Bulgaria following its registration.

(2) The representative body shall be composed of employees of the European Cooperative Society and its subsidiaries and establishments, elected or appointed in accordance with the national legislation and/or practice of the Member State where the elections are held.

(3) The representative body shall adopt its rules of procedure.

(4) Where its size so warrants, the representative body shall elect a select committee from among its members, comprising three members at the most.

(5) The central management of the European Cooperative Society shall be informed of the composition of the representative body.

(6) No later than four years after the representative body is established, it shall examine whether to open negotiations for the conclusion of the agreement referred to in Article 23, or to continue to apply the standard rules adopted in accordance with Article 26 and Article 27. In case the representative body takes a decision to negotiate an agreement, it shall perform the functions of a special negotiating body pursuant to the provisions of Article 22.

(7) In the cases referred to in paragraph 6, where, within the deadline by which the negotiations pursuant to Article 22, paragraph 2 have come to an end, no agreement has been concluded, the arrangements initially adopted in accordance with the standard rules introduced by the present law shall continue to apply.

### **Standard rules for information and consultation of the representative body**

#### *Article 26*

(1) The representative body shall have the right to information and it shall be consulted on issues limited to questions, which concern the European Cooperative Society itself, or any of its subsidiaries or establishments situated in another Member State or which exceed the powers of the decision-making organs in a single Member State.

(2) The representative body shall have the right to be informed and consulted and, for that purpose, to meet with the central management of the European Cooperative Society at least once a year. The local management shall be informed accordingly.

(3) On the basis of the regular reports drawn up by the central management concerning the progress of the business of the European Co-operative Society and its prospects for development, the meeting shall discuss in particular:

1. the structure;
2. the economic and financial situation;
3. the probable development of the business, production and sales;
4. the initiatives concerning the social policy of undertakings;
5. the situation and probable trend of employment;
6. the investments and substantial changes concerning organisation;
7. the introduction of new working methods or production processes;
8. transfers of production, mergers, cut-backs or closures of undertakings, establishments or independent parts thereof;
9. envisaged collective redundancies;
10. any other matters which are of mutual interest for the parties.

(4) The central management of the European Cooperative Society shall provide the representative body with the agenda for meetings of the administrative, or, where appropriate, the management and supervisory organ, and with copies of all documents submitted to the General Meeting of its shareholders.

(5) In the event of exceptional circumstances affecting the employees' interests to a considerable extent, particularly in the event of relocations, transfers, the closure of establishments or undertakings or collective redundancies, the representative body or the selected committee elected upon its decision shall have the right to meet at its request the competent organ of the European Cooperative Society or another appropriate level of management within the European Cooperative Society having its own powers of decision, so as to be informed and consulted on measures significantly affecting employees' interests.



(6) In the event under paragraph 5 where the central management decides not to act in accordance with the opinion expressed by the representative body, that representative body shall have the right to a further meeting with the competent organ of the European Co-operative Society with in view to seeking agreement.

(7) If a meeting under paragraph 5 is organised with the select committee, those members of the representative body who represent employees who are directly concerned by the measures in question, shall also have the right to participate.

(8) The meetings referred to above shall not affect the prerogatives of the central management.

(9) Before any meeting with the central management of the European Cooperative Society, the representative body or the select committee, and the members of the representative body pursuant to paragraph 7 shall be entitled to meet, without the representatives of the central management being present.

(10) Without prejudice to the provisions of Article 29, the members of the representative body shall inform the representatives of the employees of the European Cooperative Society and of its subsidiaries and establishments of the content and outcome of the information and consultation procedures.

(11) The representative body or the select committee may be assisted by experts of their choice.

(12) The costs of the representative body shall be borne by the European Cooperative Society, which shall provide the body's members with the financial and material resources needed to enable them to perform their duties in an appropriate manner. Unless otherwise agreed, the European Cooperative Society shall bear the cost of organising meetings and providing interpretation facilities and the accommodation and travelling expenses of members of the representative body and the select committee.

### **Standard rules for participation**

#### *Article 27*

(1) In the case of an European Cooperative Society established in the Republic of Bulgaria, the employees of the European Cooperative Society and of its subsidiaries and establishments and/or their representative body shall have the right to elect, appoint, recommend or oppose the appointment of a number of members of the administrative or supervisory body of the European Cooperative Society corresponding to the level of participation before registration of the European Cooperative Society.

(2) ) In the case the European Cooperative Society in the Republic of Bulgaria is established by transformation, the participation rules for the employees in the administrative and supervisory organs, applied before its registration, shall continue to apply after its establishment.

(3) The provisions of paragraph 1 shall not apply where, prior to the registration of the European Cooperative Society in the Republic of Bulgaria, none of the participating companies has implemented the rules for participation.

(4) The representative body shall decide on the allocation of seats within the administrative or supervisory body among the members representing the employees from the various Member States, or on the way in which the European Cooperative Society's employees may recommend or oppose the appointment of the members of these bodies according to the proportion of the European Cooperative Society's employees in each Member State.

(5) If the employees of one or more than one Member State are not covered by the proportion criterion under paragraph 4, the representative body shall appoint one of those Member States.

(6) Each Member State may determine the allocation of the seats it is given under paragraph 4 pursuant to the national legislation and/or the established national practice.

(7) Every member of the administrative body or, where appropriate, the supervisory body of the European Cooperative Society who has been elected, appointed or recommended by the representative body or by the employees, shall be a full member with the same rights and obligations as the members representing the shareholders, including the right to vote.

(8) If rules for participation are established in the Bulgarian legislation, which are different from the standard rules for participation, they shall not apply.

**Application of the standard information, consultation and participation rules in an European Cooperative Company, established exclusively by natural persons or by one legal entity and natural persons**

*Article 28*

(1) The provisions of Article 25 through Article 27 shall apply in the case of an European Cooperative Society established in the Republic of Bulgaria exclusively by natural persons or by a single legal entity and natural persons, which together employ at least 50 employees in at least two Member States of the European Union.

(2) The provisions of Article 25 through Article 27 shall apply in the case of an European Cooperative Society established in the Republic of Bulgaria exclusively by natural persons or by a single legal entity and natural persons, which together employ at least 50 employees in at least two Member States when after the registration of the society at least one third of the total number of employees of the European Cooperative Society together with its subsidiaries and establishments in at least two different Member States demand this or provided the total number of employees reaches or exceeds 50 employees in at least two Member States.

(3) Notwithstanding the cases under paragraph 2, in the case of an European Cooperative Society established in the Republic of Bulgaria exclusively by natural persons or by a single legal entity and natural persons, which together employ fewer than 50 employees in at least two Member States shall apply the provisions of the Labour Code concerning the information and consultation of employees. The provisions of the Labour Code shall also be applied when the subsidiaries and establishments of the European Cooperative Society are situated on the territory of the Republic of Bulgaria.

(4) In the case of an European Cooperative Society or its subsidiaries and establishments, established exclusively by natural persons or by a single legal entity and natural persons, which together employ fewer than 50 employees in at least two Member States, transfer their main office from another Member State to the Republic of Bulgaria, the existing rules for participation of the employees shall continue to apply provided that they are more favourable than those regulated by this Law.

## **Chapter Five**

### **CONFIDENTIAL INFORMATION**

#### **Transmitting confidential information**

##### *Article 29*

(1) In the cases where the respective management bodies transmit to the members of the European Works Council, or to the members of the representative body established within a European Company, or to the members of the representative body established within a European Cooperative Society, or to their experts information containing data the dissemination of which may be harmful to the lawful interests of the undertakings, pursuant to Article 4, paragraph 2, paragraph 5 or paragraph 6, Article 12 and Article 20, they may transmit such information accompanied by a request for confidentiality.

(2) In the cases under paragraph 1 above, the persons who have received such information may not disclose it to any other employees, or to third parties. This obligation also remains valid after the expiry of the mandate of the representatives of employees without prejudice to their place of work or to the place or work of the experts, nominated by them.

(3) The management bodies may refuse to transmit information under paragraph 1 when its nature is such as, according to objective criteria, it would seriously harm the functioning of the undertakings concerned or would be prejudicial to their interests.

(4) In the event of refusal to disclose information pursuant to paragraph 3 above, and a dispute coming up concerning its grounds, the parties might search for assistance for the settlement of the dispute in terms of mediation and/or voluntary arbitration with the National Institute for Conciliation and Arbitration.

#### **Liability for disclosure of confidential information**

## *Article 30*

Persons who have received information with a request to treat it in confidence shall be liable for any damages that may be caused to the respective undertakings as a result of their failure to comply with the request for confidentiality.

---

### **ADDITIONAL PROVISIONS**

§ 1. Within the meaning of this Law:

1. “Member State” means a Member State of the European Union or another Member State under the European Economic Area Agreement.

2. “Multinational (Community–scale) undertaking” means any undertaking with at least 1000 employees within the Member States and at least 150 employees in each of at least two Member States. The number of workers and employees shall be determined on the basis of the average number of employed working in the preceding 24 months, which involves all employees that are or were in labour relationship with the undertaking, regardless of the term of the contract and the duration of their working hours. The information about the number of employees shall be at the disposal of a competent authority, ensuring the conditions and means for establishing of European Works Council or another procedure for informing and consulting of employees, upon its request.

3. “Group of undertakings” means a controlling undertaking and its controlled undertakings with at least 1000 employees within the Member States and at least 150 employees in each of at least two Member States. The number of workers and employees shall be determined on the basis of the average number of employed working in the preceding 24 months, which involves all employees that are or were in labour relationship with the undertaking, regardless of the term of the contract and the duration of their working hours. The information about the number of employees shall be at the disposal of a competent authority, ensuring the conditions and means for establishing of European Works Council or another procedure for informing and consulting of employees, upon its request.

4. “Central management” means the central management of the multinational (Community-scale) undertaking or, in the case of multinational (Community-scale) group of undertakings – of the controlling undertaking.

5. “Controlling undertaking” means the undertaking which may exercise dominant influence concerning the activities of another undertaking (the controlled undertaking) by virtue of ownership, financial participation or the rules which govern it. In case the controlled undertaking is a company pursuant to Article 4, paragraph 5, letter (a) or (c)

of Council Regulation 4064/89/EEC, the company, participating in it, shall not be considered a controlling undertaking.

The possibility to exercise dominant influence shall be presumed, without prejudice to proof to the contrary, when, in relation to another undertaking directly or indirectly:

- (a) the undertaking holds a majority of that undertaking's subscribed capital; or
- (b) the undertaking controls the majority of votes, attached to that undertaking's issued capital; or
- (c) the undertaking can appoint more than half of the members of that undertaking's administrative, management or supervisory body.

Provided that two or more undertakings from the group correspond to one or more of the requirements under letters (a) to (c), a controlling undertaking shall be considered the undertaking that may appoint more than half of the members of the controlled undertaking's administrative, managerial or supervisory body, until another undertaking proves that it has a dominant influence.

The rights of the controlling undertaking as regards voting and appointment shall include the rights of any other controlled undertaking and those of any person or body, acting in his or its own name but on behalf of the controlling undertaking or of any other controlled undertaking.

A dominant influence shall not be presumed to be exercised solely by virtue of the fact that a competent organ of the controlling undertaking is exercising his functions relating to liquidation, winding up, insolvency, cessation of payments, compositions or analogous proceedings.

In the cases pursuant to Article 4, paragraph 5 and paragraph 6, the undertaking seated in the Republic of Bulgaria shall be considered a controlling undertaking.

6. "Establishment" means a formation, which is organisationally and economically independent.

7. "An European company" means a company which is established under Council Regulation (EC) 2157/2001.

8. "Participating companies" means the legal entities which are directly participating in the establishment of an European company.

9. "European Cooperative Society (SCE)" means a company which is established pursuant to Council Regulation (EC) 1435/2003.

10. "Participating legal entities" means legal entities, directly participating in the establishing of an European Cooperative Society (SCE).

11. “Subsidiary” means a controlled company, over which another company or a participating legal entity exercises a dominant influence over its activities defined in accordance with item 5.

12. “Concerned subsidiary or establishment” means a subsidiary or establishment of a participating company or participating legal entity which is proposed the possibility to become a subsidiary or establishment of a European company (SE) or European cooperative society (SCE) upon its formation.

13. “Special negotiating body” means the body established in accordance with Article 6, paragraph 14 or Article 22 with the purpose to negotiate with the relevant management body.

14. “European Works Council” means the council, established within the meaning of Article 8 or pursuant to the provisions of the standard rules under Article 9 and Article 10.

15. “Representative body” means the body representative of employees set up by the agreements referred to in Article 15 or Article 23 or in accordance with the provisions of the standard rules under Article 17 or Article 25.

16. “Representatives of employees” shall mean the representatives of employees, elected or nominated in compliance with the national legislation and/or the established national practice.

17. “Information” means the information to the employees’ representatives and/or of the body representative of the employees by the competent organ pursuant to Article 4, Article 12 and Article 20, on matters which concern the relevant undertakings, companies or subsidiaries or establishments situated in another Member States, or on matters which exceed the powers of the decision-making organs at a time, in a manner and with a content which allows the employees’ representatives to undertake an in-depth assessment of the possible impact of the stipulated measures and, where appropriate, prepare consultations with the relevant management bodies.

18. “Consultation” means exchange of views and establishment of dialogue between the representatives of the employees and/or the body representative of the employees and the relevant management bodies within the meaning of Article 4, Article 12 and Article 20 at a time, in a manner and with a content which allows the employees’ representatives, on the basis of the information provided, to express their opinion on measures envisaged by the relevant management bodies which may be taken into account in the decision-making process.

19. “Participation of employees” means any mechanism, including information, consultation and participation, by which the representatives of workers and employees may exercise influence on decisions to be taken within the company.

20. “Participation” means the possibility of the employees’ representative body and/or the representatives of the employees to influence the activities of the company by:

(a) The right to elect or appoint some of the members of the company's administrative or supervisory organ;

(b) The right to recommend and/or to oppose the appointment of some or all of the members of the company's administrative or supervisory organ;

21. "Reduction of participation rights" means a comparative portion of the members of the organs of the European company or the European Cooperative Society within the meaning of Article 20 which is smaller than the highest existing portion of the participating companies or in the participating legal entities.

§ 2. The present Law shall introduce the provisions of Directive 94/45/EC on the establishment of a European Works Council or a procedure for the purpose of informing and consulting of employees in Community-scale undertakings and groups of Community-scale undertakings, Directive 2001/86/EC on supplementing the Statutes for a European Company with regard to involvement of employees, and Directive 2003/72/EC on supplementing the Statutes of the European Cooperative Society with regard to the involvement of employees.

---

## FINAL PROVISIONS

§ 3. The Labour Code (Promulgated, the State Gazette No 26 dated 1986 and the State Gazette No 27 dated 1986, amended, the State Gazette No 6 dated 1988, amended and supplemented, the State Gazette No 21 dated 1990, amended, the State Gazette No 30 dated 1990, the State Gazette No 94 dated 1990, the State Gazette No 27 dated 1991, amended, the State Gazette No 32 dated 1991, amended, the State Gazette No 104 dated 1991, amended, the State Gazette No 23 dated 1992, amended and supplemented, the State Gazette No 26 dated 1992, amended, the State Gazette No 88 dated 1992, amended and supplemented, the State Gazette No 100 dated 1992, the State Gazette No 69 dated 1995 – Decision No 12 of the Constitutional Court of the Republic of Bulgaria of 1995, amended, the State Gazette No 87 dated 1995, amended and supplemented, the State Gazette No 2 dated 1996, amended, the State Gazette No 12 dated 1996, amended and supplemented, the State Gazette No 28 dated 1996, amended, the State Gazette No 124 dated 1997, amended, the State Gazette No 22 dated 1998, the State Gazette No 52 dated 1998 – Decision No 12 of the Constitutional Court of the Republic of Bulgaria of 1998; amended, the State Gazette No 56 dated 1998, the State Gazette No 83 dated 1998, the State Gazette No 108 dated 1998, amended and supplemented, the State Gazette No 133 dated 1998, the State Gazette No 51 dated 1999, amended, the State Gazette No 67 dated 1999, amended, the State Gazette No 110 dated 1999, amended and supplemented, the State Gazette No 25 dated 2001, amended, the State Gazette No 1 dated 2002, the State Gazette No 105 dated 2002, amended and supplemented, the State Gazette No 120 dated 2002, the State Gazette No 18 dated 2003, amended, the

State Gazette No 86 dated 2003, amended and supplemented, the State Gazette No 95 dated 2003, the State Gazette No 52 dated 2004, the State Gazette No 19 dated 2005, amended, the State Gazette No 27 dated 2005, amended, the State Gazette No 46 dated 2005, amended, the State Gazette No 76 dated 2005, amended and supplemented, the State Gazette No 83 dated 2005, amended, the State Gazette No 105 dated 2005, the State Gazette No 24 dated 2006, the State Gazette No 30 dated 2006, the State Gazette No 48 dated 2006) shall be amended as follows:

1. Article 157 shall be amended as follows:

(a) A new item 5a shall be inserted in paragraph 1:

“5a: To participate in the meetings of a special negotiating body, European Works Council or representative body in a European company or a European Co-operative Society;”

(b) In paragraph 3, item 2, the wording “item 6” shall be replaced with “item 5a and item 6”.

2. Paragraph 3 shall be inserted in Article 161:

“(3) An employee who is member of a Representative Body of an European Company or a European Cooperative Society, shall have the right to pay leave for education such as may be necessary for the efficient exercise of his/her duties. The duration of the leave and the remuneration due for the period of the leave shall be determined in the collective employment contract or by agreement between the parties to the employment relationship.”

3. Item 6 shall be inserted in Article 333, paragraph 1:

“6. any employee who is member of a special negotiating body, a European Works Council or a representative body in a European Company or a European Co-operative Society, for the duration of his/her functions.”

4. In Article 404, paragraph 1, item 1, the words “and the obligation of informing and consulting employees pursuant to this Code and to the Law on Information and Consultation of Employees of Multinational (Community-Scale) Undertakings, Groups of Undertakings and Companies” shall be inserted after the words “provision of social and public services for the needs of employees”.

§ 4. This Law shall enter into force on the date of enforcement of the Accession Treaty of the Republic of Bulgaria to the European Union.

This Law was passed by the 40<sup>th</sup> National Assembly on 30 June 2006, and the official seal of the National Assembly was affixed thereto.