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The *Saeima* has adopted and the
President has proclaimed the following Law:

European Company Law

Chapter I. General Provisions

Section 1. Purpose of this Law

The purpose of this Law is to regulate procedures for establishing a European company and operational rules thereof, and to ensure the involvement of employees in decision-making, as well as informing and consulting employees and their participation in a European company, if the European company is to be registered in Latvia, or if a company registered in Latvia directly participates in the establishment of a European company (hereinafter – founding company), or if the dependent company of a founding company is registered in Latvia (the company over which that company exercises a dominant influence).

Section 2. Statutory provisions that are applied to a European company

Statutory provisions that apply to the operation of a public limited-liability company and the Commercial Register shall apply to a European company, unless provided for otherwise by Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (hereinafter – Regulation No 2157/2001) and this Law.

Chapter II. Establishment of a European company

Section 3. Types of establishment of a European company

(1) In compliance with Regulation No 2157/2001, a European company may be established:

- 1) by the merger of public limited-liability companies in Member States;
- 2) by public and private limited-liability companies in a Member State promoting the establishment of a holding company;
- 3) by transforming a public limited-liability company in a Member State;
- 4) as a dependent public limited-liability company (subsidiary) within the meaning of Article 2(3) of Regulation No 2157/2001.

(2) Within the meaning of this Law a Member State shall be a European Union Member State, the Republic of Iceland, the Kingdom of Norway and the Principality of Lichtenstein.

Section 4. Submission of information and publication of a founding company

(1) Where a European company is established by the merger of public limited-liability companies in Member States, the founding public limited-liability company shall, as prescribed by Articles 20 and 21 of Regulation No 2157/2001, submit the draft terms

of merger to the Register of Enterprises and the information specified in Article 21 of Regulation No 2157/2001. The date of registration of the draft terms of merger and the Commercial Register file number where the draft terms of merger have been registered, as well as the information specified in Article 21 of Regulation No 2157/2001, shall be published in the official gazette "Latvijas Vestnesis".

(2) The founding public limited-liability company shall submit notification to the Register of Enterprises on the completion of acts and formalities to be accomplished before the merger, as well as documents that are to be submitted to the Register of Enterprises in accordance with the provisions of the Commercial Law in the event of mergers of public limited-liability companies, to enable the Enterprise Register to scrutinise the progress of the merger and the legality of formalities, in accordance with Article 25(1) of Regulation No 2157/2001.

(3) Where, in the event of a merger of public limited-liability companies, at least one founding public limited-liability company has been established in Latvia and the European company is established in Latvia, the founding public limited-liability companies shall submit an application for the merger to the Register of Enterprises and an application to register a European company. An application for the merger and registration shall be submitted to enable the relevant entries to be made in the Commercial Register, in accordance with Articles 12 and 28 of Regulation No 2157/2001 and statutory provisions regulating commercial activity. Where, in the event of a merger of public limited-liability companies, the European company is established in another Member State, the founding public limited-liability company, with a registered office in Latvia, shall, immediately following registration of the European company, submit an application to the Register of Enterprises to delete it from the Commercial Register and certification verifying the registration of the European company in another Member State. An application to delete a company from the Commercial Register shall be submitted to enable the relevant entries to be made in the Commercial Register, in accordance with Article 28 of Regulation No 2157/2001 and statutory provisions regulating commercial activity.

(4) Where a European company is established as a holding company, the founding public or private limited-liability company shall submit the draft terms for the founding of a holding company to the Register of Enterprises as referred to in Article 32(3) of Regulation No 2157/2001. The date of registration of the draft terms for the founding of the holding company and the Commercial Register file number, where the draft terms have been registered, shall be published in the official gazette "Latvijas Vestnesis".

(5) In accordance with Article 33(3) of Regulation No 2157/2001, the founding public or private limited-liability company shall submit verification of compliance with the terms of Article 33(2) of Regulation No 2157/2001 to the Register of Enterprises. The fact of compliance shall be published in the official gazette "Latvijas Vestnesis".

(6) Where a public limited-liability company is transformed into a European company, the founding public limited-liability company shall submit the draft terms of transformation to the Register of Enterprises as referred to in Article 37(5) of Regulation No 2157/2001. The date of registration of the draft terms of transformation and the Commercial Register file number, where the draft terms of

transformation have been registered, shall be published in the official gazette "Latvijas Vestnesis".

(7) The founding company shall pay State duty for submitting information to, and making entries in, the Commercial Register, as laid down in statutory provisions on submitting information to, and making entries in, the Commercial Register. The cost of publishing entries in the official gazette "Latvijas Vestnesis" and procedures for collection of duty thereof are laid down in statutory provisions on the cost of making entries in the Commercial Register, publishing entries and procedures for collection of duty thereof.

Section 5. Submitting information to the Register of Enterprises and making entries in the Commercial Register on a European company

(1) An entry on a European company shall be made in the Commercial Register on the basis of the interested party's application or a court decision. Application forms shall be approved by the Cabinet of Ministers.

(2) The documents specified in Regulation No 2157/2001 shall be attached to the application to register a European company (also, when transferring the registered office of a European company from another Member State to Latvia), in addition to documents that are to be submitted to the Register of Enterprises when establishing a public limited-liability company, in accordance with the Commercial Law. A decision on the registration of a European company (also, when transferring the registered office of a European company from another Member State to Latvia), shall be made by the Register of Enterprises by the deadlines laid down in the Administrative Procedure Law.

(3) Where the registered office of a European company is transferred to another Member State, the European company shall submit a transfer proposal to the Register of Enterprises, as specified in Article 8(2) of Regulation No 2157/2001. The Enterprise Register shall make an entry in the Commercial Register of the fact of the proposal to transfer the registered office to another Member State and details of the new registered office. The date of registration of the proposal to transfer the registered office and the Commercial Register file number, where the transfer proposal has been registered, shall be published in the official gazette "Latvijas Vestnesis".

(4) The European company shall pay State duty for submitting information to, and making entries in, the Commercial Register, as laid down in statutory provisions on submitting information on public limited-liability companies to, and making entries in, the Commercial Register. The cost of publishing entries in the official gazette "Latvijas Vestnesis" and procedures for collection of duty thereof are laid down in statutory provisions on the cost of making entries in the Commercial Register, publishing entries and procedures for collection of duty thereof.

Section 6. Registered office of a European company

In accordance with Article 7 of Regulation No 2157/2001, the registered office of a European company shall be the same as the head office (the location of the management of the European company).

Section 7. Protection of the rights of minority shareholders

In accordance with Article 24(2) of Regulation No 2157/2001 a shareholder of a merging public limited-liability company, who is opposed to the merger, shall be entitled to demand compensation from the public limited-liability company, within one month following the decision by the general shareholders' meeting on the merger, as laid down in statutory provisions regulating commercial activity in the event of reorganisation of a company.

Section 8. Competency of public authorities in the establishment of a European company

(1) In accordance with Article 19 of Regulation No 2157/2001, the Financial and Capital Market Commission and the State Revenue Service may, within their competencies, oppose the participation of a public limited-liability company registered in Latvia in the establishment of a European company by merger.

(2) Decisions made by the Financial and Capital Market Commission and the State Revenue Service may be appealed in accordance with procedures laid down in statutory provisions regulating administrative procedures.

Chapter III. Transfer of the registered office of a European company to another Member State

Section 9. Protection of the rights of minority shareholders

In accordance with Article 8(5) of Regulation No 2157/2001 a shareholder of a European company, who is opposed to the transfer of the registered office of a European company to another Member State, shall be entitled to demand compensation from the European company, within one month following the decision by the general shareholders' meeting on the transfer, as laid down in statutory provisions regulating commercial activity in the event of reorganisation of a company.

Section 10. Measures to protect creditors

Where a European company transfers its registered office to another Member State, following the decision by the general shareholders' meeting on the transfer, statutory provisions governing measures to protect creditors shall be applied with regard to the acquired company.

Section 11. Competency of public authorities in the event of transfer of a registered office

(1) In accordance with Article 8(14) of Regulation No 2157/2001 the transfer of a registered office to another Member State shall not take effect, if the Financial and Capital Market Commission and the State Revenue Service are opposed to the transfer.

(2) Decisions made by the Financial and Capital Market Commission and the State Revenue Service may be appealed in accordance with procedures laid down in statutory provisions regulating administrative procedures.

Chapter IV. The administrative system of a European company

Section 12. The two-tier administrative system of a European company

(1) Where a European company has a management body and supervisory body (two-tier administrative system), statutory provisions governing the general shareholders' meeting, board and administrative board of a public limited-liability company shall be duly applied to the general shareholders' meeting, supervisory body (hereinafter — board) and management body (hereinafter— administrative board) of a European company, unless provided for otherwise by Regulation No 2157/2001 and this Law.

(2) Pursuant to Article 39(4) and 40(3) of Regulation No 2157/2001, statutory provisions regulating commercial activity on the minimum and maximum number of members of a board and an administrative board of a public limited-liability company shall be duly applied to the minimum and maximum number of members of the board and the administrative board of a European company.

Section 13. The one-tier administrative system of a European company

(1) Where a European company only has an administrative board (a one-tier administrative system), the statutory provisions governing the general shareholders' meeting and administrative board of a public limited-liability company shall be duly applied to the general shareholders' meeting and administrative board of the European company, unless provided for otherwise by Regulation No 2157/2001 and this Law.

(2) In accordance with Article 43(2) of Regulation No 2157/2001 the administrative board shall consist of a minimum of three members.

(3) The administrative board shall be appointed and removed by the general shareholders' meeting in accordance with decision-making procedures laid down in Regulation No 2157/2001.

Chapter V. Fixed capital and annual reports of a European company

Section 14. Expression of fixed capital

In accordance with Article 67(1) of Regulation No 2157/2001 the fixed capital of a European company shall also be expressed in the currency of the Republic of Latvia.

Section 15. Annual reports

In accordance with Article 67(2) of Regulation No 2157/2001 European companies shall use the currency of the Republic of Latvia in annual reports and consolidated accounts.

Chapter VI. Rules on the involvement of employees

Section 16. Obligation to undertake negotiations

(1) When drawing up the draft terms for the establishment of a European company, the founding companies shall commence negotiations with the employees' representatives on arrangements for the future involvement of employees in decision-making, as well as informing and consulting employees and their participation in the European company, and shall inform employees' representatives on the founding companies and dependent companies, the number of employees in these companies and measures taken by the founding companies relating to the involvement of employees in decision-making.

(2) Informing means the informing of the representative committee of the employees or the employees' representatives on questions which concern the European company or its dependent companies at a time, in a manner and to such an extent, which allows the employees' representatives to gain an idea of possible consequences and, where appropriate, prepare for consultations with representatives of the European company's administrative body.

(3) Consultation means the establishment of dialogue and exchange of views between the representative committee of the employees or the employees' representatives and the European company's administrative body at a time, in a manner and to such an extent, which allows for the employees' representatives, on the basis of information provided, to express an opinion on measures envisaged by the European company's administrative body, which may be taken into account in the decision-making process within the company.

(4) Participation means the influence of the representative committee of the employees or the employees' representatives in the affairs of the company, using the right to elect or appoint members of the company's administrative body, or the right to recommend or oppose the appointment members of the company's administrative body.

(5) The negotiations referred to in Paragraph one of this Section shall commence without delay following publishing of the public limited-liability company's draft terms of merger, publishing of the draft terms of the founding of a holding company, agreeing the draft terms for the establishment of a dependent public limited-liability company or agreeing the draft terms of transformation into a European company.

Section 17. Creation of a special negotiating group

(1) A special negotiating group shall be created that represents the employees of the founding companies and the dependent companies.

(2) The number of members of the special negotiating group shall be determined in proportion to the number of employees in the founding companies and dependent companies in each Member State.

(3) Where the number of employees in the Member State where the founding company is registered, is 10 percent (or a fraction thereof) of the total number of employees in all the Member States, the employees of this Member State shall be represented by one employee representative.

(4) Every 10 percent (or a fraction thereof) of employees of all Member States shall be represented by one employee representative on the special negotiating group.

(5) When calculating the number of employees, those employees with fixed-term contracts shall be taken into account.

(6) Where there is a change in the number of employees of the founding companies and this affects the composition of the special negotiating group, the composition of the special negotiating group shall be altered accordingly.

(7) The special negotiating group shall be regarded as created when all the members have been elected.

Section 18.pants. Additional representatives

(1) Where a European company is established by a merger of public limited-liability companies, additional representatives from each Member State shall be included in the special negotiating group, to ensure that the group has at least one member who represents each founding public limited-liability company, which, in accordance with the draft terms of merger, shall cease to exist as a separate legal entity following registration of the European company.

(2) The number of additional representatives may not exceed 20 percent of the number of members of the special negotiating group, who have been elected by virtue of Section 17, Paragraph two.

(3) Where the number of founding public limited-liability companies exceeds the number of additional seats in the special negotiating group, additional seats shall be allocated to employees of companies in various Member States, which have more employees.

Section 19. Election of members of the special negotiating group in Latvia

(1) Employees of the founding or dependent companies may decide that their interests in the special negotiating group will be represented by existing employees' representatives.

(2) Where the decision referred to in Paragraph one of this Section is not taken, employees shall elect new representatives in accordance with the procedures prescribed by this Law. Members of the special negotiating group shall also be elected where the number of employees of the founding or dependent company is less than the number of employees' representatives that are to be elected.

(3) Where employees of the founding or dependent companies are represented both by a trade union and employees' authorised representatives, they shall authorise their representatives to select the members of the special negotiating group that will represent the founding company in proportion to the number of employees represented, but with no less than one representative for each company.

(4) The special negotiating group shall include at least one employee representative from each founding company and dependent company registered in Latvia. The number of members of the special negotiating group from Latvia shall not exceed the number of representatives calculated for Latvia, in accordance with Section 17.

(5) Where the number of founding companies registered in Latvia is greater than the number of representatives of the special negotiating group calculated for Latvia, representatives of each founding company shall agree on a joint employee representative in the special negotiating group. If such agreement is not reached, employees in Latvia shall be represented by the representative of the founding company with the highest number of employees.

Section 20. Agreement on employee involvement in decision-making

(1) The special negotiating group and representatives of the founding companies' administrative body shall agree on arrangements for employee involvement in decision-making, as well as informing and consulting employees and their

participation in the European company. Such agreement shall be concluded in writing. In order to check the conditions referred to in Article 12(2) of Regulation No 2157/2001, the agreement on employee involvement in decision-making shall be submitted to the Register of Enterprises.

(2) Representatives of the founding companies' administrative bodies are obliged to inform the special negotiating group of the draft terms of establishment of a European company and progress thereof, up until the time of registration of the European company.

Section 21. Decision-making in the special negotiating group

(1) The special negotiating group shall take decisions by a simple majority that represents an absolute majority of all the employees of the European company at the time members are elected to the special negotiating group, or the absolute majority of all employees at the time of voting, if there has been a significant decrease in the number of employees of the founding companies at the time of voting (when compared to the time members are elected to the special negotiating group).

(2) Each member of the special negotiating group shall have one vote.

Section 22. Reduction of participation rights

(1) The special negotiating group shall take a decision on reduction of participation rights, if no less than two thirds of the members of the special negotiating group, representing no less than two thirds of employees from at least two Member States of the European company vote for that.

(2) A reduction of participation rights is a situation, whereby following the establishment of a European company, employee participation within the meaning of Section 16, Paragraph four, is lower than the highest proportion of employee participation within one of the founding companies.

(3) The terms of Paragraph one of this Section shall apply, if the European company is established:

1) by way of a merger of founding public limited-liability companies, and where at least 25 percent of the total number of employees of the founding public limited-liability companies were ensured participation rights;

2) as a holding company or as a dependent public limited-liability company, and where at least 50 percent of the total number of employees of the founding companies were ensured participation rights.

Section 23. Involvement of experts

The special negotiating group shall have the right to involve experts. Experts shall participate in meetings of the special negotiating group and representatives of the founding companies' administrative bodies in an advisory capacity.

Section 24. Decision on applying Member State regulations

(1) Where no less than two thirds of the members of the special negotiating group, representing no less than two thirds of employees from at least two Member States of

the European company, vote in favour, the special negotiating group may decide not to commence the negotiations referred to in Section 16, or to cease negotiations and decide to apply statutory provisions on informing and consulting that are in force in the relevant Member States employing employees of the European company.

(2) Adoption of the decision referred to in Paragraph one of this Section shall terminate any measures aimed at concluding the agreement referred to in Section 20. In such a case the provisions of Sections 30, 31, 32 and 33 shall not be applied.

(3) The terms of Paragraph one of this Section shall not be applied where a European company has been established by way of transformation and employee participation exists in the transformed public limited-liability company.

Section 25. Reconvention of the special negotiating group

(1) The special negotiating group shall be reconvened, if requested in writing by at least 10 percent of the employees of the European company and its dependent companies, or their representatives, at the earliest two years following adoption of the decision referred to in Section 24, unless the parties agree on alternative terms.

(2) The provisions of Sections 30, 31, 32 and 33 shall not be applied where the special negotiating group decides to reopen negotiations with representatives of the administrative bodies, but no specific agreement is reached during negotiations.

Section 26. Expenses

Any expenses relating to the functioning of the special negotiating group and to negotiations, shall be borne by the founding companies, ensuring appropriate conditions for the special negotiating group to carry out its tasks.

Section 27. Content of the agreement s

(1) The agreement referred to in Section 20, between the representatives of the founding companies' administrative bodies and the special negotiating group, shall include:

- 1) the scope of the agreement;
- 2) the content, number of members and allocation of the representative committee – the discussion partner of the European company's administrative body;
- 3) the functions and the procedure for information and consultation of the representative committee;
- 4) the frequency of meetings of the representative committee;
- 5) the financial resources to be allocated to the representative committee;
- 6) measures for establishing one or more information and consultation mechanisms, if, during negotiations, the parties decide to establish such mechanisms instead of a representative committee;
- 7) terms for implementing participation rights, if, during negotiations, the parties agree on employee participation rights;

8) the date of entry into force of the agreement, its duration, cases where the agreement should be reviewed and the procedures for review;

9) other information, where deemed necessary by the parties.

(2) The provisions of Sections 29, 30, 31, 32 and 33 shall not apply to the agreement, unless the parties agree otherwise.

(3) Where a European company is established by way of transformation, the agreement shall provide for at least the same level of employee involvement as the one existing before.

Section 28. Duration of negotiations

(1) Negotiations shall commence after the creation of the special negotiating group and shall continue for a maximum of six months.

(2) The parties may decide, by joint agreement, to extend the deadline referred to in Paragraph one of this Section, up to a total of one year from the creation of the special negotiating body.

Section 29. Applying standard rules on employee involvement in decision-making

(1) The provisions of Sections 30, 31, 32 and 33 on employee involvement in decision-making (hereinafter – standard rules) shall apply, where:

1) the parties so agree;

2) no agreement has been reached by the deadline specified in Section 28, and the administrative body of each founding company agrees to apply standard rules and the special negotiating group has not adopted the decision provided in Section 24.

(2) The provisions of Paragraph one of this Section shall apply, where:

1) the European company has been established by way of transformation and where the regulations on participation are applicable to the founding public limited-liability company prior to transformation;

2) the European company has been established by merger and where there is employee participation in at least one of the founding public limited-liability companies, and where at least 25 percent of the total number of employees of the founding public limited-liability companies have participation rights, or where less than 25 percent of the total number of employees of the founding public limited-liability companies have participation rights and the special negotiating group decides to apply the standard rules;

3) the European company has been established as a holding company or as a dependent public limited-liability company, where there was employee participation in at least one of the founding companies and where at least 50 percent of the employees of the founding companies had participation rights, or where less than 50 percent of the total number of employees of the founding companies had participation rights and the special negotiating group decides to apply the standard rules.

(3) In order to check the conditions laid down in Article 12(2) of Regulation No 2157/2001, the agreement between the administrative body and the special negotiating group on applying standard rules shall, in the case referred to in Paragraph one of this Section, be submitted to the Register of Enterprises, but in the case referred to in Paragraph two of this Section – verification that such conditions have been implemented.

Section 30. Determining the form of participation

Where there are different forms of participation in the founding companies, the special negotiating group shall decide which form of participation shall be established in the European company. The special negotiating group shall inform the administrative bodies of the founding companies of its decision. Where no such decision is taken, the form of participation shall be the same as that of the founding company employing the largest number of employees.

Section 31. Composition of the representative committee

(1) The representative committee shall be composed of employees of the European company and its dependent companies, elected by the employees' representatives, or, in the absence thereof, by all the employees as authorised representatives of the employees in accordance with procedures laid down in the Labour Law.

(2) The number of members of the representative committee shall be determined in proportion to the number of employees of the founding companies and dependent companies in each Member State.

(3) Where the number of employees in the Member State where the founding company or dependent company is registered, is 10 percent (or a fraction thereof) of the total number of employees in the all Member States, the employees of this Member State shall be represented by one employee representative.

(4) Every 10 percent (or a fraction thereof) of employees of all Member States shall be represented by one employee representative on the representative committee.

(5) The European company shall inform the representative body once a year, of changes to the European company and its dependent companies, where such changes affect the allocation of seats on the representative committee. In such a case the representative committee shall be altered to take account of any changes made.

(6) The internal activities of the representative committee shall be governed by the rules of procedure adopted by the representative committee.

(7) The representative committee shall inform the European company's administrative body of the composition of the committee.

(8) Four years after the representative body is established, it shall, on the basis of a simple majority, decide whether to commence negotiations with the European company's administrative body, or to continue to apply the provisions of Sections 32, 33, 34, 35 and 36. Where the representative committee decides to commence negotiations on the conclusion of the agreement, it shall have the same rights and obligations as the special negotiating body. Where no agreement is reached during

negotiations by the deadline specified in Section 28, the provisions of Sections 32, 33, 34, 35 and 36 shall continue to apply.

Section 32. Standard rules for informing and consulting employees

(1) The representative committee shall be involved in addressing those issues which concern the European company and its dependent companies, as well as issues which do not come under the competence of the relevant administrative bodies in one of the Member States.

(2) Meetings of the representative committee and representatives of the European company's administrative body shall take place at least once a year. The objective of such meetings, on the basis of annual reports, is to inform and consult the representative committee on the activities of the European company and further development.

(3) The representatives of the European company's administrative body shall inform the founding company and the local administrative bodies of its dependent companies, of the meetings referred to in Paragraph two of this Section.

(4) The representatives of the European company's administrative body shall draw up the agenda for the meetings and shall inform the representative committee thereof, and shall provide copies of all documents submitted to the general shareholders' meeting to members of the representative committee.

(5) The meeting shall review issues on:

- 1) the structure, economic and financial situation of the European company;
- 2) the probable development of commercial activity, production and sales;
- 3) the situation and probable development of employment;
- 4) investments (investment programmes);
- 5) substantial changes concerning organisation;
- 6) the introduction of new working methods or production processes;
- 7) transfer of property or the largest parts thereof (including units);
- 8) reorganisation (mergers or splits);
- 9) liquidation or closure of units;
- 10) collective redundancies.

(6) Where there are exceptional circumstances affecting the employees' interests to a considerable extent, including the transfer or property or the largest parts thereof (including units), liquidation or closure of units thereof, collective redundancies, the European company's administrative body shall inform the representative committee thereof in good time. In such cases the representative committee shall have the right to request that a meeting with representatives of the European company's administrative body be convened, so as to be informed and consulted on measures to be taken within the European company significantly affecting employees' interests.

(7) Where the representatives of the European company's administrative body do not take account of the opinion expressed by the representative committee, this committee shall have the right to request that a further meeting be convened, with a view to seeking agreement. Such meetings shall not affect the prerogative of the European company's administrative body.

(8) The chair of the meeting referred in Paragraph six of this Section shall be appointed by joint agreement of the representatives of the European company's administrative body and members of the representative committee.

(9) Before any meeting with the representatives of the European company's administrative body, members of the representative committee shall be entitled to meet without the representatives of the European company's administrative body being present.

(10) The representative committee shall inform employees' representatives of the European company and its dependent companies of the information and consultation procedures.

(11) Where necessary, the representative committee may be assisted by experts of its choice.

(12) Members of the representative committee shall be entitled to paid time off for training in order to acquire knowledge necessary for the fulfilment of their tasks.

(13) Costs related to the work of the representative committee, including the election of members, organising meetings (rooms, materials, staff, translation), and official trips by members of this committee (travel and accommodation costs), as well as the involvement of one expert, shall be borne by the European company.

Section 33. Standard rules for employee participation

(1) Where a European company is established by way of transformation and rules for participation are applicable to the founding company before transformation, all aspects of these rules for participation shall continue to apply after registration of the European company.

(2) In other cases in the establishment of a European company, the employees of the European company and dependent companies or the representative committee shall have the right to elect or appoint members of the European company's administrative body or the right to recommend or oppose the appointment of members of the company's administrative body. Employee participation in the European company shall conform to the highest level of participation in force in the founding companies concerned before registration of the European company.

(3) Where there were no rules for participation in any of the founding companies before registration of the European company, rules for employee participation in the European company do not need to be introduced.

(4) The representative committee shall decide on the allocation of seats in the European company's administrative body among the members of the representative committee according to the proportion of the European company's employees in each Member State, or on the way in which the European company's employees may

recommend or oppose the appointment of members of the European company's administrative body.

(5) Where possible it shall be ensured that the employees' representatives of each Member State – in particular the Member State of the company's registration – shall be included in the European company's administrative body.

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

Section 34. Commercial secrets

(1) Members of the special negotiating group or the representative committee and employees' representatives, as well as experts and interpreters, who provide their services to them, may not reveal to third parties, any information they have obtained which is a commercial secret.

(2) The prohibition laid down in Paragraph one of this Section regarding the provision of information containing commercial secrets to third parties, shall continue to apply irrespective of whether the relevant persons fulfil or have ceased to fulfil their obligations.

(3) The European company's administrative body may refuse to provide information, which, if revealed or used, and taking into the nature of the information and for objective reasons, may seriously harm or result in losses to the European company and its dependent companies.

Section 35. Rights and obligations of members of the special negotiating group, members of the representative committee and the employees' representatives

(1) The same rights and obligations prescribed by the Labour Law for employees' authorised representatives, shall apply to members of the special negotiating group, members of the representative committee and employees' representatives whilst carrying out information and consultation tasks.

(2) Members of the special negotiating group, members of the representative committee and employees' representatives shall be granted time off in order to carry out information and consultation tasks, and shall retain average earnings during this period.

(3) With regard to the members of the special negotiating group, members of the representative committee and employees' representatives, the parties may agree upon more favourable conditions than are prescribed by this Section.

Section 36. Liability for non-compliance with this Law

(1) Persons who fail to comply with this Law shall be held liable as provided for by law.

(2) The liability of public limited-liability companies shall apply to European companies.

Informative reference to European Union Directives

This Law includes legal requirements, arising from Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees.

This Law has been adopted by the *Saeima* on 10 March 2005.

President V.Vīķe-Freiberga

Riga, 24 March 2005