



LAW
OF THE REPUBLIC OF LITHUANIA
**ON THE INVOLVEMENT OF EMPLOYEES IN DECISION MAKING IN
EUROPEAN COMPANIES**

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Vilnius

SECTION ONE
GENERAL PROVISIONS

Article 1 Purpose of the Law

1. The purpose of this Law is to ensure the participation of employees in decision making in European companies (SE) (hereinafter referred to as ‘a European company’).

2. The provisions of this Law shall implement the legal act of the European Union presented in the annex hereof.

Article 2 Application of the Law

1. The Law shall be applicable if the European company’s registered office is or if the registered office of the European company will be upon its formation in the Republic of Lithuania.

2. Without regard to the location of the registered office of the existing European company or the location of the registered office of the European company upon its formation, this Law shall be applicable in determining:

1) the number of employees of the participating companies that have a registered office in the Republic of Lithuania, concerned subsidiaries and establishments operating in the Republic of Lithuania as well as the number of employees of a European company;

2) procedures and conditions for the appointment (election) of the representatives of employees of participating companies that have a registered office in the Republic of Lithuania, concerned subsidiaries and establishments operating in the Republic of Lithuania to the special negotiating committees; 3) the procedures for the appointment (election) of representatives of

employees of European companies operating in the Republic of Lithuania, the subsidiaries of a European company that have a registered office in the Republic of Lithuania or the establishments of a European company that operate in the Republic of Lithuania or the establishments of its subsidiaries to the works council of the European company or the administrative or supervisory organs of the European company;

4) guarantees and the protection of the rights of the members of the special negotiating committee, members of the works council of a European company, members of the administrative or supervisory organs of a European company elected, appointed or nominated by employees or their representatives, or members whose appointment was supported by employees or their representatives to the reimbursement of travel, health and life insurance, accommodation and subsistence costs where these members are in industrial relations with a participating company that has a registered office in the Republic of Lithuania, with its concerned subsidiary or establishment operating in the Republic of Lithuania or with a subsidiary of a European company that has a registered office in the Republic of Lithuania or an establishment of a European company operating in the Republic of Lithuania or an establishment of its subsidiary.

Article 3 The main terms in this Law

1. **Central management** means a competent managing or administrative organ of a European company.

2. **Participation** means the influence of the representatives of employees on the management of the company realised through the right to elect, appoint members of the supervisory or administrative organs of the company, nominate them for appointment and/or object to their appointment.

3. **Representatives of employees** means representatives of the employees of a European company, participating company, or concerned subsidiary or establishment; representatives of the employees of a company that has a registered office in the Republic of Lithuania or an establishment operating in the Republic of Lithuania, as laid down in Article 19 of the Labour Code of the Republic of Lithuania. Representatives of employees of companies that have their registered offices in another member state as well as of establishments operating in other member states as they are defined in accordance with the legislation or practice of such member states. In certain cases, the works council of a European company formed in the procedures laid down in this Law, a committee of the works council of a European company or the special negotiating committee may also be considered a representative of employees.

4. **Involvement of employees in decision making** means any way, including information, consultation and participation, in which the representatives of employees may affect the decisions taken in the company.

5. **A European company** means a legal person established under Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company.

6. **Works Council of a European company** means a body representative of employees formed under this Law through which the right of the employees of the European company, its subsidiaries or establishments to information, consultation and participation is realised. Under this Law, any representative organ established on the basis of the legal acts of another member state through which the right of employees of a European company established in another member state, its subsidiaries or establishments to information, consultations and participation is implemented shall be considered the works council of a European company.

7. **Information** means communication of information (data) on matters related to the European company or one of its subsidiaries, concerned establishments or enterprises located in another member state, or matters that exceed the powers of decision making organs in one member state to the works council of a European company, to the committee of the works council of a European company and/or the representatives of employees in order to inform them on the core of the problem.

8. **Management of another level** means the managing or administrative organ of the subsidiary of a European company or its establishment or the manager of a subsidiary of a European company.

9. **Competent organ of participating companies** means a negotiating body formed by the agreement of the managing or administrative organs of the participating companies for the purposes of negotiating with the special negotiating committee on the involvement of employees in decision making.

10. **Consultation** means exchange of views and the establishment and development of a dialogue between the works council of a European company, the committee of the works council of a European Company and/or employees' representatives and the central management or the management of another level.

11. **A subsidiary** means a legal person over which another company has a dominant influence as defined in Article 4 of the Law on the European Works Council of the Republic of Lithuania.

12. **Special negotiating committee** means an organ formed under the provisions of this Law for the purposes of negotiating with the competent organ of participating companies on the involvement of employees in decision making.

13. **Participating company** means a company directly participating in the establishing of a European company.

14. **Concerned subsidiary or establishment** means a subsidiary or an establishment of the participating company that will become a subsidiary or an establishment of the European company upon its formation.

15. **Member State** means a member state of the European Union, also a state belonging to the European Economic Area.

SECTION TWO

FUNDAMENTALS OF THE INVOLVEMENT OF EMPLOYEES IN THE DECISION MAKING IN A EUROPEAN COMPANY

Article 4 Conditions for the involvement of employees in the decision making of a European Company

1. Employees shall participate in the decision making in a European company, also in the subsidiaries of a European company that have a registered office in other member states or in the establishments of a European company operating in them in the procedure laid down in this Law.

2. Involvement in decision making must cover questions related to the European company itself, to its subsidiaries having registered offices in other member states or establishments operating there, or questions the decision of which exceeds the competence of the decision making organ or a management of another level in a single member state.

Article 5 Implementation of the involvement of employees in the decision making in a European Company

1. In order to implement the involvement of employees in the decision making in a European company, a works council of a European company shall be set up in the procedure laid down in this Law or another information, consultation and participation procedure provided for in Points 6 and 7 of Article 19(2) shall be established .

2. The central management is obliged to create conditions and ensure measures necessary for the setting up and functioning of the works council of the European company.

Article 6 Principles of co-operation

1. The co-operation between the central management or the management of another level and the representatives of employees governed by this Law shall proceed in accordance with the principles of co-operation, equality, good will, respect for lawful mutual interests and other principles of social partnership.

2. The central management or the management of another level may not exert any influence on the activities of the employees' representatives.

3. The representatives of the employees shall be consulted at such time, in such a manner and on such issues that would enable the representatives of the employees, on the basis of the information received, to form an opinion on the measures planned by the central management or the management of another level, which may be taken into consideration in taking decisions at the European company.

4. If shortly after the establishment of a European company, essential changes take place in the European company or in its subsidiaries, which clearly show that the purpose for the establishment of the European company was to deprive the employees of the right to be involved in decision making, it is necessary to start new negotiations in accordance with the provisions of Section Three of this Law. Essential changes in a company mean changes in the number of the employees of the European company or its subsidiaries or changes in the way of the incorporation of the company which would have extended the rights of the employees to be involved in the management of the company if they had been implemented before the establishment of the European company.

Article 7 Right to information

1. The central management is obliged to provide, in a timely manner, information to the works council of the European company, the committee of the works council of the European company and also to the special negotiating committee and shall be responsible for the correctness of the information. Information must be provided in such a manner and to such an extent as to enable the representatives of the employees to thoroughly evaluate its potential impact and, if necessary, to prepare for consultations with the central management.

2. Members of the works council of a European company as well as members of the special negotiating committee shall have the right of access to information considered to be a commercial (industrial) or professional secret only when it is necessary for the performance of their duties, upon presenting a written pledge not to divulge the commercial (industrial) or professional secret.

3. Members of the works council of a European company, members of the special negotiating committee, as well as an expert or translator involved in negotiations on the involvement of employees in decision making in the European company or in the activities of the works council of the European company or in the activities of the committee of the works council of the European company shall be prohibited from disclosing information considered to be a commercial (industrial) or professional secret, which has become known to them, to third persons. This obligation remains valid after the termination of the powers of the representatives of the employees or the contractual relations with the expert or translator.

4. The central management may refuse in writing to provide information that is considered to be a commercial (industrial) or professional secret, if by objective criteria due to its nature it could produce harm or very great harm to the company or its activities.

5. Upon the receipt of a written refusal, the works council of the European company, the committee of the works council of the European company or the special negotiating committee may, within a month of the receipt of the refusal to supply information, file a suit in court. If the court finds that the refusal to supply information is unfounded, the European company or the participating company shall be obliged to provide this information.

6. Access to state, employment or professional secrets and the responsibility for their disclosure or unlawful use shall be governed by other laws.

Article 8 Protection of the rights and guarantees of the representatives of employees

1. Conditions must be created for the members of the works council of a European company and members of the special negotiating committee related by labour relations to the European company registered in the Republic of Lithuania, its subsidiary or a participating company, a concerned subsidiary as well as to an establishment of a European company operating in the Republic of Lithuania to participate in the meetings of the works council of the European company, meetings of the committee of the works council of the European company, also in the joint meetings with the central management and in the negotiations on the involvement of employees in the decision making in the European company by guaranteeing their jobs and their mean salary. The same rule shall apply when the members of the supervisory or administrative organ of the European company elected by employees or their representatives participate at the meetings of the supervisory or administrative organ of the European company.

2. The employment contract with employees referred to in the first Paragraph of this Article may not be terminated during their membership in the works council or the special negotiating committee of the European company at the initiative of the employer without the consent of the

employees' representative that appointed them. If these members were elected by a meeting or conference of the employees, the territorial division of the State Labour Inspectorate shall have the right to give its consent to their dismissal. In such cases, Article 134 of the Labour Code of the Republic of Lithuania shall be applied *mutatis mutandis* to the dismissal procedures.

3. The protection of the rights and guarantees of the members of the works council and the special negotiating committee of a European company, members of the supervisory or administrative body of a European company elected by employees or their representatives shall be applied from the date of their appointment (election) to the post under the legislation or practices of the member state in which the registered office of their employment company is located or where the establishment of their employment operates.

SECTION THREE ORGANISATION OF WORK

Article 9 Initiation of work and information

1. In establishing a European company, the managing or administrative organs of the participating companies, concerned subsidiaries or establishments shall be obliged to initiate negotiations on the involvement of employees in decision making at the European company.

2. For this purpose, as soon as possible but not later than within 30 days of the submission to the manager of the legal persons' register the draft conditions for the establishing of a European company by merger or of a European holding company or of a European company as a subsidiary or for the reorganisation of a joint stock company into a European company, the managing or administrative organs of the participating companies and concerned subsidiaries or establishments shall inform in writing the representatives of the employees in the companies or establishments or, in their absence, shall inform the employees at the general meetings or by other usual means used for providing information at the companies and establishment about:

- 1) the plans to establish a European company; to present the relevant information;
- 2) the participating companies, concerned subsidiaries and establishments and the employees' representatives in such companies and establishments;
- 3) the total number of employees in the participating companies, concerned subsidiaries and establishments and the number of employees in each of them, also the total number of employees in each member state;

4) the number of seats in the special negotiating committee for the representatives of the employees of each participating company, concerned subsidiary and establishment calculated in the procedure laid down in this Law, and their distribution by different member states;

5) the participating rights in the participating companies, that is, what proportion of the administrative or supervisory organ of such companies the employees or their representatives are entitled to appoint, elect or nominate for appointment and/or to refuse to agree to their appointment.

3. The number of employees in a participating company, concerned subsidiary or establishment, the number of employees of all the participating companies, concerned subsidiaries and establishments in each member state and the total number of employees in member states shall be calculated in accordance with Article 7 of the Law on Works Council of the Republic of Lithuania.

Article 10 Composition of the special negotiating committee

1. A special negotiating committee shall be set up for negotiations with the competent organ of the participating companies on the involvement of employees in the decision making at a European company.

2. The employees of the participating companies, concerned subsidiaries having a registered office in one member state and of the concerned subsidiaries operating in it shall have a right to appoint or elect members of the special negotiating committee. The number of seats allocated to the employees employed in one member state shall be established in proportion to the total number of employees of all the member states:

- 1) not more than 10 per cent – 1 seat;
- 2) over 10 per cent but not more than 20 per cent – 2 seats;
- 3) over 20 per cent but not more than 30 per cent -3 seats;
- 4) over 30 per cent but not more than 40 per cent -4 seats;
- 5) over 40 per cent but not more than 50 per cent -5 seats;
- 6) over 50 per cent but not more than 60 per cent -6 seats;
- 7) over 60 per cent but not more than 70 per cent -7 seats;
- 8) over 70 per cent but not more than 80 per cent -8 seats;
- 9) over 80 per cent but not more than 90 per cent -9 seats;
- 10) over 90 per cent – 10 seats.

3. If the European company is established by way of merger, an additional representative of employees shall be appointed or elected a member of the special negotiating committee from each participating company in each member state that is to cease to exist to ensure that the employees of

each participating company, registered in that member state, which is to cease to exist should appoint or elect their representative. The number of such additional members shall not exceed 20 per cent of the members elected in accordance with the provisions of Paragraph 2 of this Article, and it should be ensured that the same employees should not have a double representation. If the number of the participating companies is higher than the number of additional seats, these additional seats shall be allocated between the participating companies of different member states with the highest number of employees.

4. If a member state is allocated more than one seat, the representatives of employees shall be appointed from different companies.

Article 11 Formation of the special negotiating committee

1. Where the registered office of the participating company, concerned subsidiary is in the Republic of Lithuania or the concerned establishment operates in the Republic of Lithuania, the member(s) of the special negotiating committee from the Republic of Lithuania shall be appointed by the employees or their representatives of that company or that establishment. Where several participating companies, concerned subsidiaries are registered in the Republic of Lithuania and/or there is one or more concerned establishments operating, the member(s) of the special negotiating committee shall be appointed by a joint agreement of the employees or their representatives of all those companies and/or establishments.

2. If the representatives of the employees of the participating company, concerned subsidiary registered in the Republic of Lithuania or the establishment operating in it fail to appoint a member (members) of the special negotiating committee within 30 days of the provision of information referred to in Article 9(2) of this Law, the member(s) shall be elected by secret ballot at a general meeting of the employees. The general meeting may be called by any representative of the employees. The same procedure shall be applicable if the establishment or the company does not have representatives of employees, but in such a case the general meeting of employees shall be called by the managing or administrative organ of the company or by the manager of the establishment.

3. If several participating companies, concerned subsidiaries are registered in the Republic of Lithuania and/or one or several concerned establishments are operating in the Republic of Lithuania and if the representatives of the employees of such companies and/or establishments fail to agree among themselves on the appointment of a member(s) of the special negotiating committee from the Republic of Lithuania within 30 days of the provision of information referred to in Article 9(2) or if there are no representatives of employees in at least one participating company,

concerned subsidiary registered in the Republic of Lithuania or in a concerned establishment operating in the Republic of Lithuania, the member(s) shall be elected by secret ballot at a joint conference of the delegates of the employees of the companies and/or establishments. At such a conference one delegate shall represent ten employees of the company or the establishment. The conference shall be called by the managing or administrative organ of the company or the managing or administrative organ or head of the establishment with the largest number of employees calculated in the procedure laid down by this Law.

4. Provisions of Article 62(5) of the Labour Code of the Republic of Lithuania shall be applied *mutatis mutandis* to the general meeting of the employees and the joint conference of the employees' delegates of the companies and establishments.

5. The administrative and managing organs of the participating companies, concerned subsidiaries and the managers of the concerned establishments shall provide technical assistance in the organisation of the general meeting of the employees and the joint conference of the employees' delegates of the companies and/or establishments.

6. Members of the special negotiating committee from the employees of the participating companies, concerned subsidiaries registered in other member states or concerned establishment operating in them shall be appointed or elected under the legal acts and/or practices of those member states.

7. The procedures provided for in this Article shall be applicable to the appointment or election of new members of the special negotiating committee.

Article 12 Organisation of the activities of the special negotiating committee

1. The special negotiating committee shall elect its chairperson and secretary and approve its rules of procedure.

2. The special negotiating committee shall adopt decisions by a majority of votes of all its members provided that the majority represents the majority of all the employees, except in cases provided for in Paragraph 3 of this Article and other articles of this Law. Each member shall have one vote.

3. If the negotiations concern the waiver or the limitation of the existing rights of participation, a decision of the special negotiating committee on such a question shall require votes of a 2/3 majority of members representing at least 2/3 majority of all the employees at least in two member states:

1) where the European company is established by way of merger, if the participation is implemented in the participating companies that have at least 25 per cent of the total number of employees of the participating companies;

2) where a holding European company is established or a European company is established by subscribing to shares if the participation is implemented in the participating companies that have at least 50 per cent of the total number of employees of the participating companies;

4. A waiver or limitation of the rights of participation means that the proportion of members of the supervisory or administrative organ of the European company elected, appointed, nominated or supported by employees and/or their representatives is smaller than the proportion of the members of the supervisory or administrative organ of any participating company elected, appointed, nominated or supported by the employees or their representatives of the participating company.

Article 13 Meetings of the special negotiating committee

1. The first meeting of the special negotiating committee shall be called by the competent organ of the participating companies.

2. The special negotiating committee shall have a right to convene in meetings before the start of the negotiations with the competent organ of the participating companies or before each negotiating meeting with it. A meeting of this kind of the special negotiating committee may not last longer than a day. With the consent of the competent organ of the participating companies, the special negotiating committee may hold meetings more often and/or for a longer time.

3. The participating companies shall provide premises and working tools for the meetings of the special negotiating committee and ensure translation and the proper organisation of the meeting.

4. The meetings of the special negotiating committee shall be closed, unless it is decided otherwise.

5. Minutes shall be taken of the meetings of the special negotiating committee. The minutes of the meeting shall be signed by the chairperson of the meeting and the authorised member of the committee.

Article 14 Expenditure for the formation and activities of the special negotiating committee

1. All the expenditure related to the formation of the special negotiating committee and the participation of its members in the meetings of the committee or its negotiations with the competent organ of the participating companies shall be covered by the funds of the participating companies

on their agreement. Such expenditure shall include the costs of travel, insurance of health and life, accommodation and subsistence of the members of the special negotiating committee. The amount of such expenditure and the procedure for its reimbursement shall be established by the Government of the Republic of Lithuania.

2. If the expenditure for travel, health and life insurance, accommodation and subsistence of a member of the special negotiating committee is not reimbursed within 30 days of the meeting of the special negotiating committee, this expenditure shall be reimbursed, within 30 days of the special written request, by the participating company, concerned subsidiary or establishment with which the member of the special negotiating committee is or was related by labour relations.

3. The provisions of Paragraph 2 of this Article shall be applicable also in cases where the registered office of the European company is not to be located in the Republic of Lithuania, but the participating company or concerned subsidiary or an establishment with which the member of the special negotiating committee requesting the reimbursement of the expenditure is or was related by labour relations is registered in the Republic of Lithuania or the establishment operates in the Republic of Lithuania.

4. Where the special negotiating committee invites one or several experts as provided for in Article 18(3) of this Law and where the special negotiating committee and the competent organ of the participating companies do not agree on a larger number of paid experts, the participating companies shall cover the expenses for only one expert.

5. Where the participating companies cannot agree on the reimbursement of expenditure related to the formation of the special negotiating committee and the participation of the members of the special negotiating committee in its meetings or negotiations, these companies shall cover the expenditure jointly and severally, except for the expenditure referred to in Paragraph 2 of this Article,.

Article 15 Competence of the special negotiating committee

1. The special negotiating committee shall have a right to decide:

- 1) to start or not to start negotiations with the competent organ of the participating companies on the involvement of employees in decision making in a European company;
- 2) to terminate the negotiations with the competent organ of the participating companies.

2. A decision not to start or terminate negotiations with the competent organ of the participating companies may be adopted by a 2/3 majority of the votes of the members of the special negotiating committee representing at least 2/3 of the employees provided that these members represent employees at least in two member states. This provisions shall not be applicable

where a European company is established by reorganising a company that has an established procedure of participation.

3. After a decision is taken not to start or terminate negotiations with the competent organ of the participating companies, the involvement of employees in decision making shall be subject to the legal acts and practices of the member states where the employees of a European company are employed rather than the provisions of Section Four of this Law.

4. Decisions referred to in Paragraph 1 of this Article shall be notified in writing to the competent organ of the participating companies without delay. The special negotiating committee may decide to notify other organisations as well, including the trade unions.

5. Where a decision has been taken not to start or terminate negotiations, the negotiations shall be resumed after at least 10 per cent of the employees of the European company, establishments of its subsidiaries or their representatives approach in writing the central management in this respect, but not before two years elapse from the date of such a decision, unless the parties agree to resume the negotiations earlier. Where the special negotiating committee decides to resume negotiations with the competent organ of the participating companies, but no agreement is reached in the negotiations, the rules referred to in Section Four of this Law shall not be applied.

Article 16 Beginning of negotiations

1. Having received the decision of the special negotiating committee to start negotiations, the competent organ of the participating companies shall call the first negotiating meeting of the special negotiating committee and the competent organ of the participating companies within 30 days.

2. The first negotiating meeting shall be notified in writing to the members of the special negotiating committee and the managing or administrative organs or the manager of the participating companies, concerned subsidiaries and establishment where the members of the special negotiating committee are employed, at least 14 days before the meeting.

3. The notification of the negotiating meeting shall include:

1) the establishment or company where the member(s) of the special negotiating committee invited to the negotiating meeting is employed;

2) the first and last name and the title of the member(s) of the special negotiating committee invited to the negotiating meeting;

3) the date, time and venue of the negotiating meeting;

4) the agenda of the negotiating meeting;

5) time limits and procedures for the reimbursement of the expenditure of the members of the special negotiating committee for travel, health and life insurance, accommodation and subsistence.

Article 17 Duration of negotiations

1. Negotiations may last six month from the date of the formation of the special negotiating committee.

2. The special negotiating committee and the competent organ of the participating companies may decide by mutual agreement to extend the duration of negotiations up to one year from the date of the formation of the special negotiating committee.

Article 18 Procedures of negotiating meetings

1. The competent organ of the participating companies and the special negotiating committee shall agree on the procedures, venue and time limits of the negotiating meetings, the time limits and procedures for the notification of the meetings, and the procedures for chairing and performing secretarial duties.

2. Minutes shall be taken of the negotiating meetings. The minutes of each meeting shall be signed by the person who chaired the meeting and the authorised representative of the other party of the negotiations.

3. The special negotiating committee may invite experts selected at its own discretion.

Article 19 Outcome of the negotiations

1. The negotiations shall end when an agreement is reached between the special negotiating committee and the competent organ of the participating companies on the involvement of employees in decision taking at the European company.

2. The agreement on the involvement of employees in decision making at a European company shall include:

1) the scope of the agreement;

2) the composition, number of members and the allocation of seats in the works council of the European company which will be the central management's partner in the discussion on the information and consultation of employees of the European company and its subsidiaries and establishments, as well as the rules under which the rules on the changes in the number of members in the representative organ and the allocation of its seats in different members states may be

modified due to the changes in the structure and number of employees of the European company in member states or in the subsidiaries, establishments or the establishments of the subsidiaries.

3) the functions of the works council of the European company, the procedures for the provision of information to it and consultations with it;

4) periodicity, venue and duration of the meetings of the works council of the European company;

5) funds, assets allocated to the works council of the European company and the services provided to it;

6) where the negotiations decide to introduce another information and consultation procedure instead of the works council of the European company, detailed arrangements on the introduction of one or another procedure;

7) if during the negotiations a decision is taken on the participation, - detailed arrangements for the implementation of the participation procedures, including the number of members of the administrative or supervisory organ that the employees will be entitled to elect, appoint, nominate or support, the procedures that the employees may apply in the election, appointment, nomination or support of such members and the rights of such a member;

8) the effective date and duration of the arrangements, cases where the parties are obliged to hold renegotiation on the arrangements, and the procedures for the re-negotiation.

3. Where a European company is established by reorganisation, the rules provided for in the agreement shall be no less favourable than the rules in the company under reorganisation.

4. The agreement shall not be subject to the provision of Section Four of this Law, except in the case where the special negotiating committee and the competent organ of the participating companies agree at the negotiations that the involvement of employees in decision making in the European company will be implemented under the provisions of Section four of this Law.

5. The agreement between the special negotiating committee and the competent organ of the participating companies shall be executed in writing and shall be signed by at least two persons authorised by the competent organ of the participating companies and two persons authorised by the special negotiating committee.

SECTION FOUR STANDARD RULES

Article 20 Conditions for the application of the standard rules

1. The standard rules set out in this Section shall be applicable where:

1) an agreement in the negotiations between the special negotiating committee and the competent organ of the participating companies has been reached that the involvement of employees in decision making at a European company shall be carried out under the provisions of this Section, or

2) no agreement on the involvement of employees in decision making at a European company has been reached by the end of the negotiation period provided for in Article 17 of this Law, and the competent organ of each participating company decides to apply the rules set out in this Section. In such a case, the special negotiating committee does not take a decision provided for in Article 15(1) hereof not to start or to terminate negotiations and the competent organ of each participating company shall take a decision to apply the standard rules set out in this Section.

2. The rules set out in this Section shall apply to a European company registered in the Republic of Lithuania from the day of the establishment of the European company.

Article 21 Composition and formation of the works council of a European company

1. The composition of the works council of a European company shall be subject *mutatis mutandis* to the provisions of Article 10(2) hereof.

2. Within 30 days of the establishment of a European company, the central management shall inform the employees' representatives in companies or establishments or, in their absence, the employees at the general meetings or by other information means used traditionally in the companies and establishments about:

1) the total number of employees in the European company, the number of employees in each of its subsidiaries and each establishment of the European company, also about the total number of employees in each member state;

2) the number of seats in the works council of the European company for the members appointed by the employees of each company and establishment calculated in the procedure set out in Article 31 hereof and their allocation by different member states.

3. If the European company, its subsidiary has a registered office in the Republic of Lithuania or an establishment of the European company or an establishment of its subsidiary operates in the Republic of Lithuania, the member(s) of the works council of the European company from the Republic of Lithuania shall be appointed by the employees' representatives of this company or this establishment respectively. Where several subsidiaries are registered in the Republic of Lithuania and/or there is one or more establishments operating in it, the member(s) of the works council of the European company shall be appointed by a joint agreement of the employees' representatives of all those companies and/or establishments.

4. If within 30 days of the provision of the information referred to in Paragraph 2 of this Article, the employees' representatives of a European company, its subsidiary registered in the Republic of Lithuania or the establishment of the European company or of its subsidiary operating in the Republic of Lithuania fail to appoint a member(s) of the works council of the European company, the member(s) shall be elected by secret ballot at the general meeting of employees; the meeting may be called by any representative of the employees. The same procedure shall be applied if there are no employees' representatives in the company or in the establishment. In such a case the general meeting of the employees shall be called by the managing or administrative organ of the company or the head of the establishment.

5. If several companies, subsidiaries are registered in the Republic of Lithuania and/or one or several establishments operate in the Republic of Lithuania, and the employees' representatives of these companies and/or establishments fail to appoint a member(s) of the works council of the European company from the Republic of Lithuania within 30 days of the provision of the information referred to in Paragraph 2 of this Article, or if in at least one European company registered in the Republic of Lithuania, at least one of its subsidiaries registered in the Republic of Lithuania and/or in at least one establishment of the European company or at least one establishment of its subsidiary operating in the Republic of Lithuania there are no employees' representatives, such a member(s) shall be elected by secret ballot at a joint conference of the delegates of the employees of the companies and/or their establishments. At such a conference one delegate shall represent ten employees of the company or the establishment. The conference shall be called by the managing or administrative organ of the company or the establishment with the largest number of employees or by the manager of the establishment.

6. Provisions of Article 62(5) of the Labour Code of the Republic of Lithuania shall be applied *mutatis mutandis* to the general meeting of the employees and the joint conference of the employees' delegates of the companies and establishments.

7. The management of another level shall provide technical assistance in the organisation of the general meeting of the employees and the joint conference of the employees' delegates of the companies and/or establishments.

8. The procedures laid down in this Article shall be applicable also when the members of the works council of a European company are replaced.

9. Members of the works council of a European company representing employees of subsidiaries registered in other member states or of establishments of the European company or establishments of its subsidiaries operating in them shall be appointed (elected) under the legislation and/or the practices of those member states.

10. Where the registered office of a European company is in another member state, appointment (election) of employees' representatives to the works council of the European company shall be subject to the provisions of Paragraphs 3-10 of this Article *mutatis mutandis*.

11. If due to the changes in the structure of the European company or the number of employees in the member states or in its subsidiaries, establishments or the establishments of its subsidiaries it is necessary to increase the number of the members in the works council of the European company, the works council of the European company, taking into consideration the opinion of the central management, shall decide on the appointment (election) of an additional member to the works council of the European company. Having taken such a decision, the works council of the European company shall approach the central management with a request for the initiation of the procedure for the appointment (election) of the new member(s) of the works council of the European company in accordance with the provisions of this Law.

Article 22 Beginning and end of the membership in the works council of a European company

1. An employee becomes a member of the works council of the European company from the day of his/her appointment (election).

2. Membership in the works council of a European company shall end:

- 1) upon the death of the member;
- 2) upon the termination of his/her labour relations;
- 3) upon the resignation of the member;
- 4) at the end of the term of office of the works council of the European company;
- 5) when the employees' representative(s) who appointed the member recalls him/her.

3. When membership ends on the grounds specified in Points 1-3, 5 of Paragraph 2 of this Article, but there are at least 6 months before the end of the term of office of the works council of the European company, a new member shall be appointed or elected in the procedure laid down herein. The new member shall be appointed or elected only up to the end of the term of office of the works council of the European company.

Article 23 Notification of the composition of the works council of a European company

1. The employees' representative who appoints a member(s) of the works council of the European company shall notify the central management of the first and last name of the member of the works council of the European company, the name of the establishment or the company where he is employed and his title and the contact address. The same obligation to notify the central

management of the elected member(s) of the works council of the European company shall be applied to the manager of the establishment or the managing organ of the company that called the general meeting of the employees or the joint conference of the employees' delegates of the establishments and/or companies of the European company where the member(s) was elected.

2. The notification of the appointment of a member of the works council of the European company must be accompanied with a transcript of the minutes of the meeting of the competent body of the employees' representative or a transcript of the minutes of the joint meeting of the employees' representatives while the notification of the election must be accompanied with a transcript of the minutes of the meeting or conference and copies of the lists of their participants.

3. Having received the documents referred to in Paragraph 2 of this Article, the central management shall notify in writing the managing organs of all the participating companies operating in member states, concerned subsidiaries or managers of concerned establishments of the composition of the works council of the European company. The notification shall contain the first and last names of the members of the works council of the European company, the name of the establishment or company where they are employed, their titles and contact addresses.

4. Having received the notification referred to in Paragraph 3 of this Article, the central management and the managing organs and the managers of the establishments shall communicate, without delay, the information contained in the notification to the employees' representatives active in the company or in the establishment

Article 24 Term of office of the works council of a European company

The term of office of the works council of a European company shall be four years. The term of office shall start from the first meeting of the works council of the European company. The first meeting of the works council of a European company shall be notified in writing to the members of the works council of the European company and to the managing or administrative organs or the manager of the participating companies, concerned subsidiaries and establishment where the members of the works council of the European company are employed, at least 14 days before the meeting.

Article 25 Organisation of the activities of the works council of a European company

1. At its first meeting the works council of a European company shall elect by a majority vote of all its members the chairperson of the works council of the European company, a deputy chairperson and approve the rules of procedures of the works council of the European company.

2. The chairperson of the works council of a European company (in his absence, deputy chairpersons):

1) shall chair the meetings of the works council of the European company;

2) in the procedure defined in the Rules of Procedure of the works council of the European company shall represent the works council of the European company in its relations with the central management;

3) shall organise the storage and management of the documents of the works council of the European company;

4) shall perform other functions assigned by the decision of the works council of the European company and the functions defined in the Rules of Procedure of the works council of the European company.

3. If the works council of the European company has more than six members, the works council of the European company shall elect a three-member committee of the works council of the European company. The committee shall be responsible for the performance of the functions of the works council of the European company between the meetings of the works council of the European company. If possible, the members of the works council of a European company should be from different member states. The chairperson of the works council of the European company is ex officio the chairperson of the committee of the works council of the European company.

4. The works council of a European company or the committee of the works council of the European company shall adopt by a majority vote of all their members. Each member shall have one vote.

Article 26 Meetings of the works council of a European company and of the committee of the works council of a European company

1. The first and regular meetings of the works council of a European company shall be called by the central management. The first meeting must be called within 90 days.

2. A regular meeting of the works council of a European company must be held each year before the joint meeting with the central management. The agenda of the joint meeting shall include discussions of the report referred to in Article 29(1) hereof.

3. The committee of the works council of a European company (in its absence, the works council of the European company) shall have a right to hold extraordinary meetings in cases set out in Article 30 hereof. Having co-ordinated the venue and time of the meeting with the central management, the chairperson of the works council of the European company shall ask the central management in writing to call the meeting. The central management shall notify the members of

the works council of the European company or the members of the committee of the works council of the European company, also the managing or administrative organ of the company or the establishment where the member of the works council of the European company or the committee of the works council of the European company is employed or the manager of the establishment of the venue and time of the coming meeting 14 days before the meeting at the latest.

4. A meeting of the works council of a European company or of the committee of the works council of a European company may not last longer than a day. With the consent of the central management, the works council of the European company or the committee of the works council of the European company may hold meetings more often and/or for a longer time.

5. The central management shall provide premises and work tools for the meetings of the works council of the European company or of the committee of the works council of the European company and ensure translation and the proper organisation of the meetings.

6. The meetings of the works council of a European company and of the committee of the works council of a European company shall be closed, unless decided otherwise.

7. Minutes shall be taken of the meetings of the works council of a European company and of the meetings of the committee of the works council of a European company. The minutes of the meeting shall be signed by the chairperson of the meeting and the authorised member of the council or the committee.

Article 27 Participation of experts

The works council of a European company or the committee of the works council of a European company may invite experts at their own discretion.

Article 28 Expenditure for the formation and activities of the works council of a European company

1. All the expenditure related to the formation of the works council of a European company and the participation of the members at the meetings of the works council of a European company or the meetings of the committee of the works council of a European company, also at the joint meetings with the central management or at the meetings with the management of another level referred to in Article 30 hereof shall be covered by the European company. Such expenditure shall include the costs of the travel, insurance of health and life, accommodation and subsistence of the members of the works council of a European company. The amount of such expenditure and the procedure for its reimbursement shall be established by the Government of the Republic of Lithuania.

2. If the expenditure for travel, health and life insurance, accommodation and subsistence of a member of the works council of the European company is not reimbursed by the European company within 30 days, this expenditure shall be reimbursed, within 30 days of the special written request, by the subsidiary or the establishment of the European company or the establishment of its subsidiary with which the member of the works council of the European company requesting the reimbursement is or was related by labour relations.

3. The provisions of Paragraph 2 of this Article shall be applicable also in cases where the European company is not registered in the Republic of Lithuania, but the subsidiary of the European company is registered in the Republic of Lithuania or the establishment of the European company or the establishment of its subsidiary with which the member of the works council of the European company requesting the reimbursement is or was related by labour relations operates in the Republic of Lithuania.

4. Where the works council of a European company or the committee of the works council of a European company invites one or several experts as provided for in Article 27 of this Law and if the works council of the European company and the central management cannot agree on a larger number of paid experts, the European company shall cover the expenses for only one expert.

5. Members of the works council of a European company shall be allocated time for the participation in training necessary for the performance of their functions; for the time spent in training the member shall receive salary that is equal at least to his/her mean salary.

Article 29 Regular information and consultation

1. Within three months of the end of the calendar year, the central management shall prepare and submit to the works council of the European company a report for the year on the economic situation and perspectives of the European company, its establishments, its subsidiaries and the establishments of its subsidiaries.

2. The annual report shall contain at least the following information on the European company and its subsidiaries in respect of their:

- 1) structure;
- 2) economic and financial situation;
- 3) possible changes in the activities, including changes and perspectives in the scale of trading, production and services;
- 4) the number of employees calculated in the procedure laid down herein; and the analysis of the reasons for the changes in the number of the employees;

5) situation in the rates of employment and the perspectives for the expansion of employment;

6) investment programmes in the phase of implementation and planning;

7) the main organisational changes;

8) implementation of new working methods and productive technologies;

9) intended relocation of the company, production or business or its part;

10) wind-ups, transformations, acquisitions or sale of companies; also the termination of the activities of establishments of the companies or the setting up of new establishments;

11) group dismissals and the envisaged measures to mitigate the effect of such dismissals.

3. The annual report shall be discussed at the joint meeting of the works council of the European company and the central management. The meeting shall be held after the passage of at least 30 days from the submission of the report to the works council of the European company. Minutes shall be taken of the joint meeting of the works council of the European company and the central management. The minutes of the meeting shall be signed by the persons authorised by the works council of the European company and the central management. If necessary, the members of the works council of the European company or the committee of the works council of the European company shall have the right to meet the representatives of the central management before their each joint meeting.

4. The annual report submitted to the joint meeting of the works council of the European company and the central management shall be accompanied with the copies of all the documents presented to the general meeting of the shareholders and the agendas of the meetings of the managing and administrative organs.

5. The central management shall submit the annual report together with the minutes of the joint meeting of the works council of the European company and the central management to the management of another level within 30 days.

Article 30 Information and consultation under extraordinary circumstances

1. The emergence of extraordinary circumstances shall be immediately notified in writing to the committee of the works council of the European company, and, if it has not been set up, to the works council of the European company. Extraordinary circumstances are circumstances that have a great effect on the interests of the employees of the European company, its establishment, subsidiary or the establishment of its subsidiary, particularly the relocation of the company, production or business or some part of it, the termination of the activities of an establishment or a company, group dismissals. Notification must be made by the central management or the

management of another level entitled to take independent decisions concerning the extraordinary circumstances.

2. Having received the notification referred to in Paragraph 1 of this Article, the committee of the works council of the European company or the works council of the European company may request the central management or the management of another level to call immediately a joint meeting of the committee of the works council of the European company (the works council of the European company) and the central management or the management of another level. This meeting should be devoted to consultations concerning the protection of the interests of the employees or measures for the mitigation of the social and economic consequences to the employees.

3. If the committee of the works council of the European company participates in the procedures of information and consultations, the central management or the management of another level must also invite to the meeting referred to in Paragraph 2 of this Article the members of the works council of the European company that were appointed or elected by the employees or their representatives of the European company or those of its establishments, subsidiaries or their establishments that are directly affected by the circumstances mentioned above.

4. The committee of the works council of the European company must inform, without delay, all the members of the works council of the European company about the questions considered and the decisions taken at the joint meeting of the central management or the management of another level and the committee of the works council of the European company; the members of the works council of the European company must, in their turn, inform the representatives of employees of the European company or those of its establishments, subsidiaries or their establishments that are directly affected by the circumstances mentioned above, and if there are no representatives, they must provide this information at the meetings of employees. The same rule shall apply also in cases where the works council of the European company participates in the information and consultation procedures.

5. If the central management or the management of another level decides not follow the opinion expressed by the committee of the works council of the European company or by the works council of the European company, the committee of the works council of the European company or the works council of the European company shall have a right to meet the central management or the management of another level once again.

Article 31 Participation

1. The rules applied in the regulation of the involvement of employees in the activities of the administrative or supervisory organ of the company before its reorganisation into a European

company shall remain applicable also when, after the reorganisation of such a company, a European company is established. Such rules shall be subject to the provisions of this Article *mutatis mutandis*.

2. When a European company is established in a way other than referred to in Paragraph 1 of this Article, the employees or the employees' representatives of its establishments, subsidiaries or their establishments shall have a right to elect, appoint or nominate as many members of the administrative or supervisory organ of the European company as make their number proportionate to the maximum number of such members that was established in the participating companies before the establishment of the European company. This provision shall be applicable in cases where there is an opposition to the appointment of members to the administrative or supervisory organ of the European company.

3. The decision on the allocation of seats in the administrative or supervisory organ of the European company to the respective member states or the decision on the way the employees of the European company may propose the appointment of members to these organs or to object to their appointments shall be taken by the works council of the European company. If the allocation of the seats selected by the works council of the European company is not applicable in at least one member state, the works council of the European company, in order to seek a balanced allocation of seats, shall give the priority to the employees of the member state of the registration of the European company.

4. The provisions of Article 21(3-10) shall be applied *mutatis mutandis* where the representatives of the employees employed in the European company operating in the Republic of Lithuania, its registered subsidiaries or establishments or the establishments of its subsidiaries operating in the Republic of Lithuania are appointed or elected to the administrative or supervisory organs of the European company. The employees or the employees' representatives of the subsidiaries and establishments of the European company registered or operating in other member states shall be elected, appointed, nominated or supported to be appointed to the administrative or supervisory organs of a European company under the legislation and/or practices of those member states.

5. Each member of the administrative or supervisory organ of a European company elected, appointed or nominated in the procedure provided for in this Article shall have the same rights, including the right to vote, and the same duties as members elected by the general meeting of shareholders.

6. Where the European company is established by way of merger, the provisions of this Article shall be applicable when:

1) before the establishing of the European company, one or several participating companies employing at least 25 per cent of the employees in all the participating companies applied one or several forms of the involvement of employees, or

2) such a decision is taken by the special negotiating committee if, before the establishing of the European company, one or several participating companies employing at least 25 per cent of the employees in all the participating companies applied one or several forms of the involvement of employees.

7. Where the European company is established as a holding company or a subsidiary, the provisions of this Article shall be applicable when:

1) before the establishing of the European company, one or several participating companies employing at least 50 per cent of the employees in all the participating companies applied one or several forms of the involvement of employees, or

2) such a decision is taken by the special negotiating committee if, before the establishing of the European company, one or several participating companies employing at least 50 per cent of the employees in all the participating companies applied one or several forms of the involvement of employees.

8. The provisions of this Article may not be applied in a European company if before its establishment not a single participating company applied any forms of the involvement of employees.

9. The special negotiating committee shall take a decision on the form of the involvement of employees in the European company when before the establishment of the European company several forms of the involvement of employees were applied in the participating company.

10. The decisions referred to in Paragraphs 6, 7 and 9 of this Article shall be notified to the competent organs of the participating companies by the special negotiating company without delay.

Article 32 Information of the employees' representatives

1. The works council of a European company, the committee of the works council of a European company shall inform the employees' representatives, in their absence, the employees, of the European company and its establishment, the subsidiary of the European company and their establishments about their activities and the results of information and consultation at least once a year.

2. The works council of a European company may authorise one of its members to provide the information referred to in Paragraph 1 of this Article to the employees' representatives of a

certain establishment of the company or its subsidiary or directly to the employees in the member state.

Article 33 End of the activities of the works council of a European company

1. The works council of a European company shall perform its functions until the end of its term of office, except in cases provided for in this Article.

2. Six months before the end of the term of office of the works council of the European company at the latest, the works council of the European company may decide by a majority of its members' votes to start negotiations with the central management. The negotiations may reach the agreement referred to in Article 19 hereof. In such a case, the works council of the European company shall acquire all the rights and duties of the special negotiating committee and its term of office shall be extended for the period of the negotiations with the central management.

3. If within six months of the receipt of the notification of the decision of the works council of the European company referred to in Paragraph 2 of this Article the central management does not start the negotiations or if an agreement is not reached within a year of the receipt of the notification, the rules of this Section shall continue to apply and a new works council of the European company shall be set up in the procedure laid down in this Section.

SECTION FIVE FINAL PROVISIONS

Article 34 Responsibility for the violations of this Law

Persons violating this Law shall be responsible under the legislation of the Republic of Lithuania

I promulgate this Law passed by the Seimas of the Republic of Lithuania.

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS

Annex to Law No X-200
of 12 May 2005
of the Republic of Lithuania

THE LEGAL ACT OF THE EUROPEAN UNION TO BE TRANSPOSED

Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees.