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**The system of labour relations of the
E.ON AG European Works Council**

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Aims and methodology of the study

The basic aim of this study is to present the organisational frame, the activities of the European Works Council of E.ON AG, and to reveal possibilities of improvement deriving from the EWC Directive 2009/38/EC, which strengthens the status of European Works Councils. A further objective of the study is to formulate proposals on the basis of the current operational deficiencies to help the EWC improve and represent workers' interests more efficiently in the E.ON AG transnational corporation.

The author of the study relied on the E.ON EWC agreement from 17. August 2006 and the different documents, presentations and minutes of the E.ON EWC activities. An analysis of these documents gives a complete picture of the organisational structure, the operation, the main issues discussed, the vision, the new operation model and the new objectives of the EWC of E.ON AG.

The analysis of the above documents gave an insight into the E.ON AG organisational structure, new strategies and new objectives as well, to which the E.ON EWC must adapt its operation and objectives.

The working seminars organised at different project locations, the presentations, opinions and the interviews made during and outside the working seminars also contributed to the study. The working seminar held in Berlin 21-22. March 2011 was one of the most important ones in the seminar series. Eberhard Schomburg, president of E.ON EWC and Sven Bergelin, responsible for energy within the trade union VER.DI and President of President of the Energy Committee of the European Federation of Public Service Unions (EPSU) made a presentation on the economic position and the challenges of E.ON AG and the main tasks of workers organisations (EWCs and trade unions).

Finally, the study, the assessment of the EWC operations and the proposals were strongly supported by the answers, the E.ON EWC members gave to the questionnaire.

Herewith, I would like to appreciate the work and the opinion of all those who contributed to this study. Special acknowledgements to Mr. Péter Réffi, Deputy President of E.ON EWC for his valuable help.

Introduction of the company

E.ON was established in 2000 through the merger of two great German energy suppliers, Preussen Elektra and Bayernwerk AG. Both giant companies had affiliates in different European countries before the merger.

E.ON AG is the largest private investment company in the European energy sector as the two French giants before it, GDF SUEZ and EDF, are state-owned companies. E.ON AG is the

largest energy company in Germany, as well. The Hungarian subsidiary of E.ON AG, E.ON Hungaria Zrt. is among the ten largest corporations in the country. In Hungary, it has 44 % share in the electricity distribution market (2008), and 18 % in the gas market (2008).

E.ON AG is a typical transnational – with other words, multinational – company having units, sites, subsidiaries or capital shares in local corporations in different countries (currently 13); these are in the majority of the cases separate legal entities. E.ON AG bears all the characteristics of a transnational corporation – the joint decision-making system, joint strategic objectives, central planning, joint HR strategy, joint organisational decisions, joint employment policy, joint investments and development decisions, profit optimisation at the corporation level, or consolidated profit and loss statement.

It should be noted that in case of the companies belonging to the corporation, the profit and loss statement, remuneration and employment are not based on the actual performance of the given company, but on profit optimisation. All important decisions – strategic, organisational, economic, financial, investment, development, HR (wages and employment) – are taken at the central level. Only implementation decisions can be taken at the level of the subsidiaries – at least this was the case until now, but we will see later that changes are expected; grand daughter companies do not even have this competence.

Main economic indices of E.ON AG

Million euros	2010	2009	+/- %
Sales – electric energy (billion kWh)	1,030.4	785.5	+ 31
Sales – gas (billion kWh)	1,342.4	1,206.5	+ 11
Total revenue of sales	92,863	79,974	+ 16
EBIT (pre-tax profit)	9,454	9,291	+ 2
Net profit	6,281	8,669	- 28
Investments	8,286	8,655	- 4
Authorised capital	45,585	43,986	+ 4
Total asset value	152,881	152,614	-
Employees (persons)	85,105	85,108	-

The regional distribution of employees is summarised in the following table and map*

Country	Number of employees	Share of employees
Germany	39,329	41.4 %
Great Britain	17,695	18.7 %
Romania	7,954	8.4 %
Sweden	5,844	6.2 %
Russia	5,161	5.4 %
Hungary	4,927	5.2 %
USA and Canada	3,279	3.5 %
Czech Republic	2,733	2.9 %
Bulgaria	2,117	2.2 %
Other countries**	5,836	6.1 %

* including managers/acting managers and apprentices – data from September 2009

** among others, Italy, Spain France, the Netherlands and Poland



The share of foreign employees is 58.6 %

The organisational and management structure of E.ON AG as typically territorial and regional-based with one or two exceptions (e.g., IT) before 2010.

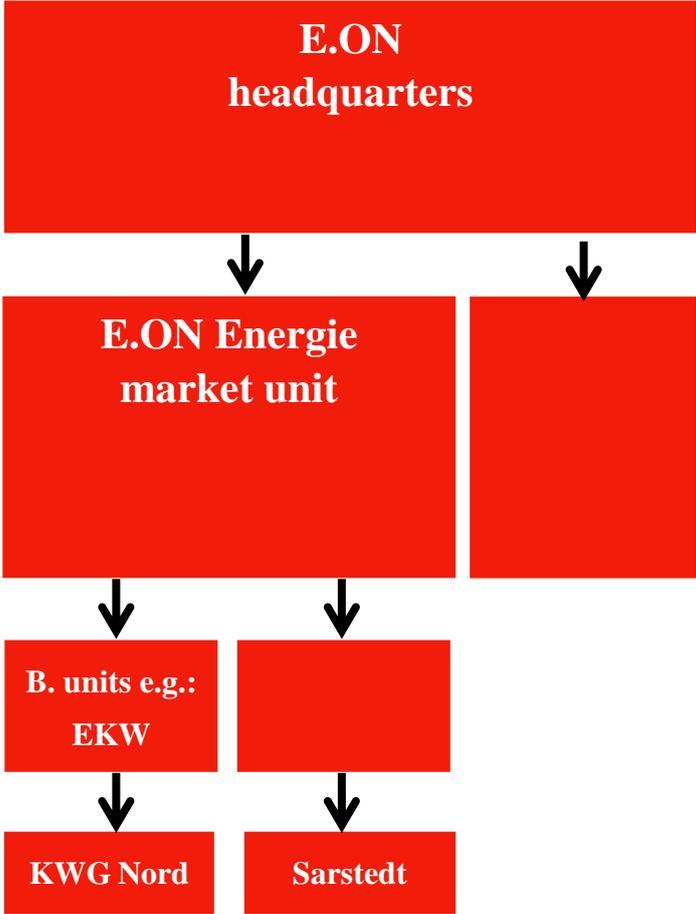
After its establishment, E.ON AG was organised along **market units (hereinafter: MU)** as follows:

- “Central Europe” (led by E.ON Energie Rt.)
- “Nordic” led by E.ON Nordic)
- “Pan-European Gas” (led by E.ON Ruhrgas AG)
- “UK” (led by E.ON UK)
- “Corporate Centre” led by E.ON Rt.)

In the course of the years, other MUs were established:

- “Energy Trading”
- “E.ON Climate & Renewables GmbH”
- “E.ON Russia Power”
- “E.ON Italia S.p.A.”
- “E.ON Espana S.L.”

The organigram of E.ON AG:



The structure of the group

E.ON AG is a global provider of special energy services. Its organisation structure guarantees internally a clear assignment of responsibilities and competences, so that the corporation can achieve its objectives in the most efficient manner.



- Group Management
- Global Units
- Regional Units
- Support Functions

The E.ON AG in Düsseldorf is responsible for the group level management. All business activities of the group are controlled and coordinated from here. The business activities are organised globally (along functions) and regionally (along countries). There are five global units: Electricity Production, Renewable Energies, New Build & Technology, Global Gas Business and Trade. Twelve European regional units control the sales activities, the regional energy networks and the distributed energy production in the respective countries. Russia is a key customer. Special areas like IT, procurement and business processes are controlled by units at the group level.

Group Management

The main task of the group management in Düsseldorf is to supervise and harmonise all business activities. Among others, it is responsible for planning E.ON strategic paths and developing guidelines for the global and regional units. It provides for the financial means, manages risks and continuously optimises the business policy of the group.

Global Units

Global units cover business segments that operate in the uniting European markets and try to follow global trends. Some of the business units are increasingly active outside Europe, as well and manage these areas in a cross-border manner. The objective of the functional approach is to bring together the available expertise in a single unit and to exploit synergies.

There are five global units: Electricity Production, Renewable Energies, New Build & Technology, Global Gas Business and Trade.

Electricity Production

The global unit responsible for electricity production supervises and coordinates the European electricity production portfolio of the group. Power plants are grouped into four power plant categories on the basis of the fuel used, and are controlled in a cross-border manner. Such a functional structure can substantially increase the possibility of sharing best practices, of increasing efficiency and decreasing costs.

The power plant park of E.ON is one of the largest in Europe. It has important units in Germany, Great Britain, Sweden, Italy, Spain, France and the Benelux states. E.ON has the broadest and most balanced energy mix.

Renewable Energies

The global unit responsible for renewable energies has a key role in increasing production capacities based on renewable energies in Europe and in North America. Renewable energy resources are positive from the point of view of the environment and offer major business possibilities. Through its investments into wind and solar energy, bio mass, bio methane and sea energy E.ON can continuously increase the share of renewable energy resources in its electricity production portfolio. Its objective is to become a global leader in the area of renewable energies.

E.ON New Build & Technology

This global unit brings together all the expertise accumulated in project management and the technical area and controls the construction of new power plants and the operation of the existing ones at the group level. This unit supervises the whole research and development activities.

Global Natural Gas Business

The global unit responsible for the natural gas business covers the activities of the whole natural gas value chain. The extracting and production activities have an increasing role and this business unit is actively present in the global liquefied gas market, too. E.ON AG is one of the largest gas corporations in Europe and provides natural gas for retailers (regional and urban utilities), to large industrial consumers and gas-based power plants in Germany and many other European countries. Its portfolio comprises of transport agreements with the major gas producing countries and is geographically diverse, thus, it is one of the major pillars of safe gas supply in Europe. It also has units in the natural gas storage business in Germany, Austria, Hungary and Great Britain, and in gas transportation in Germany.

Trade

The global unit responsible for trade is the link between E.ON and the global energy wholesale markets and buys and sells electricity, gas, oil, coal, transport capacities, bio mass and emission quotas. The global unit of E.ON AG is responsible for the best possible utilisation rate of the European power plant park, it trades with fuel and emission quotas required to operate these plants and guarantees for the production the required margins in the futures markets.

Regional Units

Twelve European regional units control the sales activities in the different countries, the regional energy networks and the distributed energy production in Europe. They closely cooperate from the respected countries with the global units, which provide guidance e.g., in the area of HR management and bookkeeping. They share with all the other units the thorough market information and diverse experiences they accumulated in connection with the political and regulatory environment. They are responsible e.g., the development of the power plant construction projects from the initial planning phase to taking the decision on the investment. They are the link to the local and national bodies, politicians, government institutions, sectoral organisations and the media.

The twelve regional units are: Germany, Great Britain, Sweden, Italy, Spain, France, Netherlands, Czech Republic, Slovakia, Hungary, Romania and Bulgaria.

Russia is a special key country for E.ON AG; the power production portfolio is controlled separately due to the geographic location of the country (not part of the global unit responsible for electricity production) and also because Russia is not part of the united European network.

Germany

The German regional unit of E.ON AG is responsible for power and natural gas distribution, energy sales and the distributed production in Germany. It is an important partner of the global unit too, especially of the unit responsible for production.

Great Britain

The British regional unit is the leading electricity and gas supplier of Great Britain. They supply 5.3 million households and businesses with energy country-wide. It is a market leader in the combined heat and power production, too.

Sweden

The Swedish regional unit supplies almost one million customers mainly in the southern and central-eastern regions of Sweden. It is involved in the trading of power, gas and heat country-wide and provides broad scale energy services. This regional unit controls the business activities of E.ON in Finland, Denmark and Norway, as well.

Italy

The Italian regional unit focuses in its business activities primarily on energy trading. It provides services to almost a million households and businesses, and operates a distribution network for approximately 600,000 customers, mainly in the northern part of Italy.

Spain

The Spanish regional unit focuses in its business activities on power distribution and retail. The retail business supplies electricity to 600,000 households and businesses countrywide. The objective is to build on the existing market position and turn the unit into the leading energy supplier in Spain.

France

The French regional unit provides power and natural gas to industrial and wholesale customers. This unit supports the global unit responsible for renewable energies and production in the construction and operation of the French traditional, wind, solar and hydro power plants.

Netherlands

The Dutch regional unit provides households, businesses and industrial customers with power and natural gas in the Netherlands and Belgium.

Czech Republic

The Czech regional unit provides electricity and gas services. With 1.4 million customers in the power market and 110,000 customers in the gas business this unit is the largest united energy service provider in the country.

Slovakia

The Slovak regional unit plays an active role in the Slovak electricity market. The unit operates a power distribution network and provides services to all consumer segments: to household and industrial customers both.

Hungary

The Hungarian regional unit is mainly active in the electricity wholesale, the power and gas distribution and retail businesses. It provides energy to almost 3 million customers (2.5 million in the power, and 0.5 million in the gas segment).

Romania

The Romanian regional unit is active in the downstream electricity and gas business, in distribution and retail. They provide energy to 2.7 million customers (1.3 million with gas and 1.4 million with electricity). In 2011 the unit will be the first integrated power and gas supplier in Romania.

Bulgaria

The Bulgarian regional unit provides electricity to 1.1 million customers in the north-east of Bulgaria.

Russia

The Russian business activities focus on electric energy: power production, trading with industrial consumers and wholesale trading. The Russian power plant park – the third largest in the group after the German and the British parks – is stable and has a regionally diverse portfolio of gas and coal-based power plants with a total capacity of 8.3 GW. The power plants are located in the most important industrial regions of the country: central Russia, the Ural region and Siberia.

Support functions

The different units provide valuable services to the core activities of E.ON AG wherever E.ON AG is present. These functions (IT, procurement, insurance, business processes) are controlled centrally by E.ON AG in order to best utilise the possibilities of expertise and synergies.

Challenges of E-ON AG

Before 2010 the strategy of E.ON AG was based on corporate growth and acquisition. The company was willing to pay “any” price in acquisitions. Acquisition was a political investment because it helped the group to acquire areas before competitors. This policy resulted in major debts of E.ON AG. Indebtedness was substantially decreased by the sales of the US shares – but on 31. December 2010 it still amounted to 37.7 billion euros.

The economic crisis brought major challenges for the financial management of E.ON AG. Already in 2009 the budget had to be corrected – among others due to the expected drop in energy consumption. This is the result of different developments:

- New regulations in the energy sector (EU, Germany)
- Decrease in sales
- Anomalies in the gas sector
- No return on investments and on foreign capital lendings
- Major losses deriving from the investment in Russia

These factors and the high amount of dividends paid (1.37 euro/ share was increased to 1.5 euro/ share) meant a substantial burden for E.ON AG.

To counterbalance the negative impacts, E.ON AG launched already on 1. September 2008 a cost optimising project “Perform to Win”. The objective of the project was to save 1.5 billion euros until the end of 2011. This meant major mass redundancies (in total more than 4,000 jobs disappeared from this 2,500 - 3,000 in Germany, and 1,000 in other sites), corporate re-organisation, outsourcing of work processes and the decrease of investments. The implementation of the “Perform to Win” project did not resolve all problems and E.ON was confronted with new challenges, too.

According to the EU energy strategy objectives, the share of renewable energies within the total energy production must be 20 % until 2020. This is 17 % at the moment in Germany. German corporations, like E.ON, depend heavily on coal-based power plants in Germany, as 50 % of the power supply comes from coal-based plants. CO2 emission trading becomes full-fledged by 2013. Companies have to buy certificates. This will jeopardise 80 % of the German energy production. Another challenge for E.ON is that municipalities procure bio mass and bio gas installations. The achievement of the EU objectives means, among others the establishment of new supply networks. In the northern part of Germany, the energy produced by wind farms will have to be transferred to the central parts of Germany. According to a large-scale plan 1.1 quadrillion Euros will have to be spent on the development of the energy industry, half of it on the improvement of networks and half on consumer locations.

There are major challenges in the area of gas supply as well. There is an oversupply of gas due to the fact that gas from between coal layers can also be extracted and the USA ceased to be a gas importing country and is exporting gas itself.

The new strategy of E.ON AG

The management of E.ON AG reacted to the challenges by publishing its new strategy on 10. November 2010. Johannes Teysen, the No.1 manager of E.ON AG, informed first the employees about the new strategy on the Internet surface of the E.ON AG in a video message– in the morning of 10. November 2010. He gave 5 reasons for the necessity of the new strategy.

- Energy is the most important issue of our century and is going to remain so for long.

- In Germany the population is decreasing and there is a visible shift to the green technologies consequently, the industry must renew itself, but cannot count on further growth. Outside Europe, however, the population is growing, the living standard and the energy consumption is increasing. E.ON AG must make use of growth potentials and renew and develop the energy infrastructure in these regions.
- E.ON has the expertise of operating and constructing key technologies.
- E.ON is confronted with major challenges
 - The impacts of the economic crisis will become full-fledged in the energy sector in 2011.
 - The prolongation of the life cycle of the German nuclear plants –after the catastrophe in Japan is however an undecided question – will cost E.ON after 2011 for 6 years 1 billion euros.
 - Due to the prolonged crisis in the south of Europe, billions of euros had to be written off in the books of the newly procured power plants.
- E.ON has no clear profile.

The above developments formed the basis for the new strategy of E.ON with the key message

“Cleaner & better energy”

In the future, E.ON will only be active in areas it is better than the mass of competitors. E.ON does not want to be involved in all energy segments; should it not be able to fulfil its own requirements, it will move out of that branch.

On the long term E.ON wants to generate 75 % of its revenues in Europe, and the remaining 25 % outside Europe. (Today this proportion is 91% and 9%.)

E.ON is heading for a new management structure and a more transparent organisation.

The foundation for growth in the future is not capital or new debts, but human resources, and a better service to the customers. E.ON is determined to decrease its indebtedness.

The CO₂ emission will be decreased by 50 % until 2020.

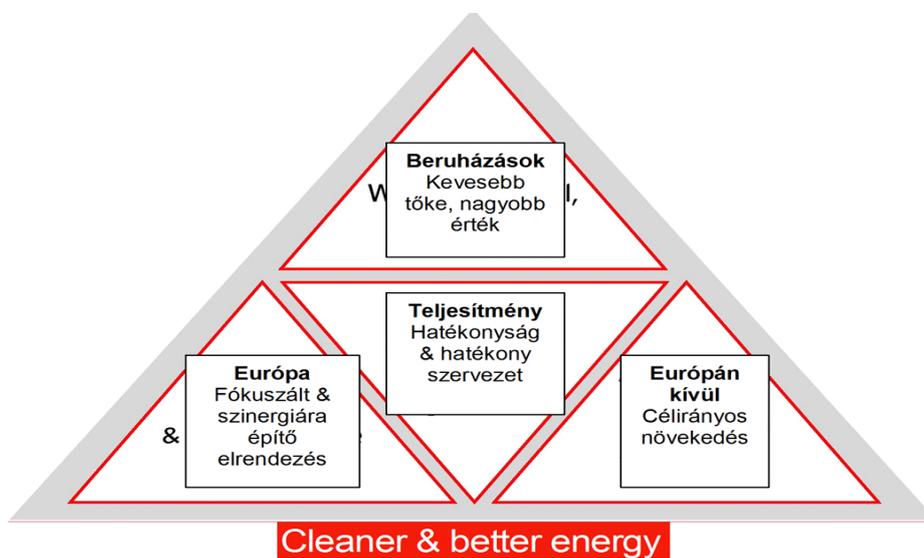
Here are the answers to the short-term challenges, like low energy prices, negative gas-oil margin, the nuclear fuel tax, and the full range CO₂ auction after 2013.

- The profit in the coming years will slightly decrease but the debt burden as well.
- Dividends will be decreased by 15 %.
- Lenders will have to give free hand in the repayment of the loans.
- After 2013, more cost savings will have to be made; the target is 600 million Euros cost savings, i.e. 5 % of the total costs. Consultations will be held with the workers representatives on possible ways to achieve this objective.

- E.ON will examine how the business units can match the new strategy. Until 2013 the objective is a de-investment of 15 billion Euros, the revenues from the sales of shares (13 billion euro revenues were made in 2009-2010, mainly through the sales of units in the US). Half of the targeted 15 billion euro savings will be spent on the repayment of debts, the other half on new investments.

The model of the new strategy:

Strategy: transform from a European energy supplier to a global specialised service provider of energy solutions



Investments

Less capital, greater value

Performance

Efficiency & efficient organisation

Europe

Focused & synergy-based structure

Outside Europe

Targeted growth

Cleaner & better energy

Cleaner & better energy

In the past

Integration based on added value



In the future

Focusing on competition-based businesses

Focus on Europe



Targeted growth outside Europe

Individual
programmes

efficiency



Sustainable performance culture

Capital intensive



Competence-based

**“Cleaner & better energy“ for our customers – with less capital expenditure
and greater added value for our investors**

The implementation of the new strategy means a centralisation of decision-making as well. New “business centres” will be created along the corporate activities: power production, renewable energies, “E.ON New Build & Technology”, global natural gas business and trade.

Next to the previous territorial regional management, a functional management system will be introduced. In contrast to the previous practices where strategic decisions were taken at the central level and the implementation decisions at the national level, implementation decisions will in the new structure also be taken centrally in the “business centres”. In contrast to previous practices where the MUs set the requirements with the owners’ expectations, such requirements in the new system will only be issued by E.ON AG, i.e. the “business centres”. Finally, it should be noted that functional management and control will be introduced in HR management as well.

A brief summary on the new strategy is important because multinationals “learn” from each other and the changes in the organisational and management structures have a major impact on industrial relations and as part of that, on the operation and the role of European Works Councils in E.ON AG, too. The result of this “learning process” may be a general, European trend and practice of such targeted structural and management structure (sic.).

The system of industrial relations

The EU passed the Directive 94/45/EC on the establishment of European Works Councils on 22. September 1994. This was needed because the national procedures were not in line with the structure of supranational corporations. The main objective of the Directive was to provide employees in multinational and transnational corporations the possibility to receive appropriate information in case the decisions are not taken in the country of their employment.

The European Works Councils guarantee employees the right for information and for the expression of their opinion. They provide a direct link to the mother company and its top management. They provide access to data in connection with the market position of the corporation. They provide a direct flow of information within the group among employees working in different countries and help the development of a uniform corporate culture.

The operation of European Works Councils raises the level of trust between management and employees; employees can be more efficiently involved in the life of the company and can have a better understanding of the background of managerial decisions.

In Hungary, Act XXI / 2003 transposed the directive practically with its complete set of regulations into national law.

Directive 2009/38/EC

Against the background of the operation of EWCs, the European trade union movement initiated the recast of the EWC directive. As a result of the negotiations, the new Directive 2009/38/EC on information and consultation procedures with employees took force on 5. June 2009. Member states had two years to transpose the EWC Directive into national law. The new regulations took force exclusively after they had been transposed into national law, i.e. the new directive can be directly and automatically applied after 6. June 2011.

The new directive emphasizes that trade union representatives can support the Special Negotiating Bodies established to set up the EWC and the work of the EWC itself. The new directive provides a better definition on information and consultation rights.

The European Trade Union Confederation and the Social Development Agency issued a joint publication entitled “Guidelines for the negotiations for the period of transposition into national law (5. June 2009 – 5. June 2011)”; the publication underlines that negotiated or re-negotiated agreements must take over the definitions from the directive, e.g., “transnational issue”, “information” and “consultation”. According to the guidelines, agreements should also define the procedures to be applied under so-called “special conditions” – e.g., closure of sites, companies or mass dismissals.

The new directive guarantees EWC members the right for training therefore agreements must also include clear regulations on this. Employees’ representatives have the right to define the

content of the training, to choose the trainer and determine the organisational method of the training courses at the individual, the national or the EWC level.

As every EWC member has to report at the national level, the central management is obliged to guarantee appropriate tools for communication for all EWC members.

The EWC agreement must provide for a coordination of information and consultation between the national and the European level. Under the directive, information process at the European level must precede or occur at the same time with the national information for the sake of efficiency.

The German Company Constitution Act (CCA)

To have a better understanding of the industrial relations of E.ON AG, a transnational corporation with headquarters in Germany (Düsseldorf), we must know the German regulations on industrial relations. In Germany, the Company Constitution Act (*Betriebsverfassungsgesetz*, passed on 25 January 1972 and repeatedly amended) regulates the representation of workers' interests inside the company. It gives employees the right to establish works councils to represent their interests. Works councils must cooperate with employers on the basis of trust. Works councils have the right for information, intervention, cooperation and consultation. Therefore they participate in the decision-making process at the company level in social, personal or economic issues as well. They also have the right for self-determination.

In connection with the right for information, the CCA stipulates that the employer is obliged to provide the works council's comprehensive information on issues relevant for employees so that they can exercise their rights. The works council has the right for consultation on issues in connection with workforce planning, new technical equipment, or working methods, or processes. In connection with individual measures, e.g., recruitment, regrouping or transfer, the works council has the right to deny its approval. In case of non-agreement, the final decision is to be taken by the labour court. The works council has to be asked for its opinion before every dismissal. Should the employer miss that, the dismissal is not valid; in case of ordinary dismissal the works council has the right to contradict. The works council has the right to intervene in connection with social issues, e.g., the shifts the beginning and the end of the daily working time, the working time arrangement or the principles of vacation periods.

The Company Constitution Act was passed on 25. January 1972, and amended in 1986, 1995 and 2001. The CCA regulates rights and obligations, the relation of employers and employees inside the company, the relation between employer and the works council and between the employees and the works council. Trade unions are active outside the companies.

Works Councils in Germany

Works councils represent workers rights vis-à-vis the employers. Their mandate lasts for four years. The size of the works council depends on the number of employees, but has always to

be an odd number. The CCA stipulates that EWC members can be released from work. An interesting element is that apprentices can elect Youth and Apprentice Representatives. These in return elect the Central Youth and Apprentice Representative.

At the group level, if the company and regional works councils decide so, a Works Council at the Group level (GWC) can be established. Its establishment requires the consent of the works councils or regional works councils of the group. The works councils can delegate two members each to the group works council. A good model to be followed by others is that gender equality is also taken into consideration.

§ 106-110 of CCA stipulate the establishment of an Economic Committee (EC). Works council members are delegated here, receive information from the board on the economic situation of the company and consult on these issues. The EC regularly reports to the GWC on its activities and the information they received. Beyond that the EC consults the GWC members in the decision-making process. Within E.ON there are different committees, e.g., Information and Communication Technology Committee, Occupational Health and Safety and Environmental Committee, Committee of Political Relations, Committee of Old Age Benefits, etc. Task of the committees established by the GWC is to analyse certain issues in depth and to support the work of the GWC. Depending on the legal regulations and the volume of the tasks, the committees can differ in size. The work of the committees is based on the CCA-regulations. One of the objectives of the act is to guarantee a broad basis for the activities of EWCs, so that they can represent the interest of workers in an optimal manner.

The works council members do their work beside their “normal daily activities”. Under the regulations of the CCA, the employer must provide for adequate conditions, so that the EWC members can conduct their EWC work appropriately. The EWC work is a collective activity based on mutual information and cooperation.

The legal status of trade unions in Germany

Collective agreements are made by employers’ organisations and trade unions. Collective framework agreements are in force for several years and regulate general working conditions like vacation, release from work, the working time, extra pay and allowances and benefits. Wage agreements, with other words, collective tariff agreements are in force in general for one year and regulate wages and salaries, wage groups, extra pay and benefits. Art. 9. Par. 3. of the German Constitution provides for the “collective agreement autonomy”, i.e. the right of employers and employees to agree in their sector on working conditions without the intervention of the state. During the term of the collective agreement, contracting parties are obliged to maintain the peaceful relation between employer and employees. Interestingly, apprentices are covered by a separate collective agreement. The works council provides information on its own work orally, in written form and electronically, also making use of company rallies.

The co-determination structure of E.ON AG:

E.ON AG co-determination structure

SB	CWC	EWC
	E.ON Energie Rt. central works council	
	E.ON Ruhrgas Rt. central works council	
	E.ON Rt. works council	
Regional and sectoral works councils of E.ON companies in Germany		
	Guest status	Guest status

E.ON AG European Works Council

The operation of the European Works Council of E.ON AG is regulated by the **Central Company Agreement (CCA) No. 3** made between the central management of E.ON AG., and the E.ON central works council on 17. August 2006. This agreement is legally based on Art. 13. of the Directive 94/45/EC and served as a framework for the amendment of the agreement from 1. December 2005.

Personal and organisational scope of the agreement

The personal scope of the agreement covers employees of the E.ON group, who are employed in the Member States of the European Union or by other contracting parties signatory to the Agreement in the European Economic Area.

The organisational scope of the agreement covers the already mentioned MUs and the “Corporate Centre”. New MUs have already been established under the agreement like “E.ON Espana S.L.”, “E.ON Italia S.p.A.”, “E.ON Energy Trading SE” and “E.ON Climate & Renewables GmbH”, and as already mentioned “E.ON Russia Power”.

Members of the E.ON EWC

The agreement regulates the membership to the E.ON EWC as follows: The guiding principle to determine the number of delegates from the relevant countries is the number of employees of the consolidated companies in that country. Consolidated companies can also delegate representatives to the EWC with equal rights from countries which are not member states but their political relevance in the group and the number of workforce justifies it. The expansion of the scope to these countries requires the mutual agreement of the signatory parties.

Based on a clause of the first agreement of the establishment of the EWC – with equal wording in the current regulation – the Hungarian employee representatives joined the E.ON EWC on 2. March 2004 as Hungary accessed the EU on 1. May 2004.

Companies not belonging to the consolidated group of E.ON, but where the group has major shares and which are located in countries that otherwise would not be represented by the EWC may receive guest mandates. The precondition is to have at least 500 employees in that country. Countries cannot get more than one guest mandate. Delegates with a guest mandate have consultation rights in the EWC.

Annex No.1 of the Agreement enlists the countries represented in the EWC under the above outlined rules.

The E.ON AG EWC had 2009 representatives from 13 countries: Bulgaria, the Czech Republic, France, Netherlands, Poland, Hungary, Great Britain, Germany, Italy, Romania, Spain, Sweden, Slovakia. Currently, Slovakia has the status of “invitees” because countries have the right to delegate only above 50% E.ON shares, and this in ZSE at the moment is under this threshold.

The EWC represents more than 85,000 employees throughout Europe (E.ON AG has worldwide approximately 90,000 employees – data from September 2009).

The number of country delegates is determined individually on the basis of the number of consolidated employees according to the MU representative of the given country as follows:

- between 500-2,000 employees – 1 delegate,
- between 2,000-4,000 employees – 2 delegates,
- more than 4,000 employees – 3 delegates.

The “Corporate Centre” is an exception because in this case 1 German representative is delegated irrespective of the number of employees. Every representative has a personal substitute. The representatives and their substitutes are delegated under the national regulations and/or traditions of the given country by the entitled workers organisations.

Before 2007, trade unions in the Hungarian E.ON companies delegated the EWC representatives from Hungary, but since 2008 the Group Level Cooperation Forum of Works Councils in the Hungarian E.ON companies has the right to delegate representatives (3 persons) to the E.ON European Works Council.

In Germany the E.ON GWC delegates the EWC president and his deputy. They are part of the number of mandates allocated to the different German MUs. The other German representatives and their substitutes are also delegated by the GWC, so that every MU is represented by an eligible German representative. The president of the central works council of the group may be given a guest mandate to the EWC unless he is eligible for membership by other ways. Should an MU in a country not be in the position to fulfil the minimum workforce requirement for the delegation of 1 representative (500 employees), but the total number of the consolidated companies in that country exceeds 500, the MU is entitled to delegate a representative from the companies with the greatest number of employees. If the number of employees is less than 500 in a given country, they will be represented by other EWC representatives of the MU.

Mandates may be transferred to those who due to workforce requirements are not eligible to delegate a representative. This can be decided by the national employee representation of an MU. The transfer can be made for the benefit of employees of another MU in the same country or of the same MU from another country. The central management of the group must be informed about the transfer of the mandate. The transfer can be withdrawn.

It is clear from the detailed and sophisticated regulations that the signatories tried to provide possibility for every country and every employee to be represented in the EWC.

Both the GWC members and their substitutes, and the representatives with guest mandates must be employees of the group.

The delegation requirements must be reviewed annually on the basis of workforce data of 31. December the previous year.

The employees’ representation can decide to delegate fewer representatives than they would have the right for. In such a case, as long as there is one representative delegated he/she will represent the employees with a complete voting right; should there be no representative delegated, the respected workforce can be disregarded, except the right to transfer the mandate is made use of. In this case, the delegation right does not “get lost”; it can be made use of any time.

The EWC membership of a representative can be terminated by his leaving the company, maturing the mandate period in the employees’ representation or by the delegates’ recall. In case a membership ceases to exist, the same country and the same MU must delegate a new member from which the previous representative lost his mandate.

Country structure of the EWC and its composition in the MUs:

Country	Market Units*							Total
	C.E.	N.	P.E.G.	U.K.	E.T.	C.C.	N.M.	
Germany	5**		2		1***	1*****		9
Great Britain				3*****				3
Romania	3*****							3
Hungary	3*****							3
Sweden		3*****						3
Czech Republic	2*****							2
Bulgaria	2							2
Italy							1*****	1
Spain							1	1
France	1							1

Netherlands	1****							1
Poland	1							1
Total	18	3	2	3	1	1	2	30

*"Central Europe", "Nordik", "Pan-European Gas", "U.K.", "Energy Training", "Corporate Centre", "New Markets"

** Delegating EWC president

***Delegating personal deputy of EWC president

****Delegating EWC vice presidents

*****Under § 2 (2) of the CC and the GWC can delegate 1 representative irrespective of the number of employees.

The E.ON EWC had 36 members in 2009. The current EWC members (31 representatives) are enlisted in the annex.

The table does not include the EWC member delegated from E.ON IT due to the fact that IT is not a market unit.

The table clearly shows that approximately one-third of the EWC members are employed in Germany and almost 60 % are delegated from Central Europe MU.

The constant invitees to the E.ON EWC are also enlisted in the annex. It must be emphasized that since 2010 Susanne Senica, Energy and Mining Workers Union (EPSU) is a constant invitee to the EWC meeting (plenary, Board meetings).

The E.ON EWC implemented in practice the part of the regulations of the new directive 2009/36/EC before its taking force by which trade unions can support the negotiations and re-negotiations on the establishment of an EWC in case employees representatives request so, and when even further as the relevant trade union federations are constant invitees, irrespective of the issues discussed.

Beyond the President and the Vice President – delegates by the GWC – the EWC elects further deputies from its own ranks. The number of deputies increases after every 10,000 international employees.

The Hungarian delegation gives a deputy to the president since 2007 in E.ON AG.

On the proposal of the EWC president, an acting secretary can be nominated. The acting secretary, if not member of the EWC, is granted a long-term guest status and participates at the meetings of the EWC and the Board meeting with consultation right.

The EWC Board

The EWC Board comprises of the president, the deputies, and the acting secretaries. The standing orders of the EWC describe the detailed responsibilities of the acting secretary, the rules of substitution and the responsibilities and competences of the EWC board.

The last elections of the E.ON EWC were held on 19. July 2010. The GWC held its meeting on 9-10. June 2010, and elected Eberhard Schomburg as president of the EWC, and Norbert Kupfer as his deputy. On 19. June 2010 the EWC elected the vice presidents / Board members and their personal substitutes on the basis of the figures of the following table.

The EWC Executive board

President		Eberhard Schomburg	
Vice President	Germany	35,210	Norbert Kupfer
	(Poland 741)		
	Great Britain	17,104	
	Romania	6,266	
	(Bulgaria 3,176)		
	Sweden	5,286	
	Hungary	5,256	
	Czech Republic	3,166	(Slovakia 2)
	Benelux	779 ?	
	Italy	1,523	
	France	1,069	
	Spain	1,283	

Norbert Kupfer, EET (vice president), personal substitute: Pierre Caselles, E.ON France

Mario Arca, E.ON Italy, personal substitute: Feliciano Montes, E.ON Spain

Simone Gale, E.ON UK, personal substitute: Clive Broutta, E.ON UK

Eugen Luha, E.ON Romania, personal substitute: Illian Pavlov, E.ON Bulgaria

Miroslav Pelouch, E.ON Czech, personal substitute: Silvia Smatralova, ZSE

Réffi Péter, E.ON Hungária, personal substitute: Vince Rajkó, E.ON Hungaria

Willem Vis, E.ON Benelux, personal substitute: Bogumilla Kappy, E.ON Poland

Hans Widgren, E.ON Sverige, personal substitute: Mats Ekblom, E.ON Sverige

The operation of the EWC

The group management and the EWC operate in partnership. The HR manager of E.ON AG Board and the manager “Personal” of E.ON AG and their deputies are constant invitees to the EWC. Experts can also be invited to the meetings although this is not part of the usual practice.

The information and consultation right of the EWC covers issues that have a major impact on the workers’ interest, especially:

- economic and financial development of the group,
- the employment situation of the sectors,
- substantial changes in the group structure and organisation,
- key investments and developments of the group.

The cooperation structure of the group is summarised in the following table:

Corporate structure and co-determination

CORPORATE STRUCTURE		CO-DETERMINATION					
E.ON headquarters		E.ON European Works Council					
		E.ON Group Works Council					
E.ON Energie market unit	Market unit e.g. Great Britain	E.ON Energie CWC				CWC	WC, e.g., GB, RO, SW, HU, CZ, BU, IT, SP, FR, NL
Business e.g., EKW	Business e.g., EAV		SBR e.g., EKW				
KWG Nord	Sarstedt		KWG Nord WC	Sarstedt WC	e.g., WC		

The central management provides the EWC Board the quarterly and annual business reports. A report on the latest developments of the group is part of the agenda of the normal EWC meetings.

The meetings

Under the already mentioned agreement on the EWC operation, the EWC meets at least once a year, but in practice there are two meetings annually. Last year, in 2010 the EWC had four meetings.

Under the agreement the EWC Board meets at least twice a year, but in practice they meet 3-5 times a year. Last year, in 2010 the Board had 7-8 meetings. A month before the plenary meeting the EWC Board meets to prepare the plenary.

The EWC meetings follow a general agenda:

- Report of the group management on the economic-financial situation, the results of the previous period, business activities, implemented investments, developments, developments in employment, possible organisational changes, work accidents and issues of social corporate responsibility.
- Report of the delegations (country reports, including the following information:
 - introduction of the company group,
 - changes in the number of employees,
 - occupational safety and health and environment,
 - investment projects,
 - re-organisation projects,
 - latest developments of the company group.
- Report of the president on the period since the last meeting.
- Report of the working committees.
- Development of a joint position on issues concerning employees.

Decisions of the EWC are taken in the form of resolutions. In connection with the resolutions, delegates have votes according to the number of employees of its own MU in the delegating country as 31. December the year before. If there are more delegates they share the votes proportionately.

The meetings of the EWC and the Board are protocolled.

EWC committees and informal consultations

The EWC can set up temporary working committees for certain problems. The working committees can be initiated by the employer or the EWC, in practice however mainly the employee side is initiating. Employers and employees are both represented in these committees. The EWC elects members of the committee from its own ranks by proposal of

the president. The leader of the committee is nominated by the employer. The committees report on their activities to the EWC Board and the plenary.

Working committees in 2008-2009 e.g., the Wage Committee, with the task to study the possibilities of Eastern European wages catching up. Unfortunately, the activities of this working committee did not bring any result due to the lack of agreement on the employee side.

A new initiative is the Romanian-Hungarian section, operating since 2011 with confirmation by the EWC president. Main objective of the section is to strengthen the cooperation between the Romanian and the Hungarian EWC members, the development of joint positions on issues discussed in the EWC, to define common objectives like the catching up of wages.

Part of the informal operation is the continuous consultation of the EWC president with the economic management of E.ON AG. The president informs the Board and the EWC plenary on such consultations.

The other form of informal consultations is the meeting of the newly elected EWC president, his deputy and the national EWC members, and the local economic management. The intention is to make such meetings in the future regular.

The cooperation with the local workers organisations and the information of the employees is the responsibility of the EWC members. This is not regulated, EWC members implement this according to his/her sole discretion. The contacts with local trade unions and works councils can be facilitated that EWC members are in general functionaries of local trade unions and members of the local Works Council.

The vision of the E.ON EWC

The Board meeting (Executive Committee meeting) preparing the 19. July 2010 EWC meeting was held on 5-6. July 2010 where the EWC vision was discussed.

Agreement was made that the EWC consultations shall be planned, organised and prepared by the EWC Board (Executive Committee). Two themes were defined:

- issues concerning everyone, and
- specific national problems.

Issues concerning everyone will be managed as follows. At the Board meetings

- the problem will be exactly specified,
- the countries concerned identified,
- the objectives to be achieved determined,
- decisions taken.

This will be followed by an information e-mail to the EWC members. The E.ON EWC plenary will

- discuss the options presented by the Board (Executive Committee)
- take a decision.

The scope of problems concerning everyone was also identified:

- Corporate responsibility (CR)
- The protection of existing sites and jobs
- Equal opportunities, promotion of women
- Mobility of families, trans-border employees exchange programme
- Vocational training and further training
- Data protection
- PtW, production, IT, Globe (outsourcing and off-shore regulation)
- Standardising collective agreements
- Health policy – occupational safety and health
- Environmental standards, environment policy
- Company benefits, profit sharing
- Demography, working time, working time registers
- Work requirements for suppliers
- Co-decision

The operation methods, the strategy, the objectives and the topical issues were also identified:

- Operation method
 - Regular information exchange via e-mail
 - Meetings and consultations with the company
 - Develop and identify rules at the European level**
- Strategy
 - Strengthening cohesion and unanimity
 - Consultation with the Board on standards**

Progress from simpler European problems to more complex ones

- Objectives

Identify European standards (E.ON social measures or E.ON employee relation agreements); for the (coming) years 2010-2011 two priority issues

Cooperation with the European trade unions (bureau)

Joint drafting of the EWC agreement by the end of 2011-January 2012

- Issues

Achievements in the CR area and their written documentation

Promotion of women

Mobility of families

International exchange programmes ⇔ promotion competences

Occupational safety

Research – employee survey

PR publication

One E.ON

Production control

The EWC took a decision on its meeting on 19. July 2010 to hold its plenary meeting twice a year in Düsseldorf and in Brussels. Six weeks before the EWC plenary meetings there will be one ordinary Board meeting held and another four Board meetings in the Member States.

Note was taken of the fact that the responsibility of trade unions at the international level is increasing and as trade unions are organic part of the representation of interests, the possibilities they offer must be used by the EWC. A major task is the negotiation of an EWC agreement that regulates minimum requirements at E.ON AG.

Seat, funding and facilities of the EWC

The seat of the E.ON EWC is in Düsseldorf. Its office is located in the E.ON AG headquarters. The group management covers all the costs that occur during the implementation of the responsibilities of the EWC and their members. These costs are the costs connected to the organisation of the meetings, like interpretation, accommodation, stay and travel costs.

The protection of EWC members

The previously mentioned agreement stipulated that EWC members must not be hindered in conducting their activities. They cannot be disadvantaged, or advantaged for this activity – e.g., in promotion.

EWC representatives have to be released from work for the time of the EWC meetings. Their employment relation can only be terminated with the consent of the EWC during their mandate period or the following two years, even if the national regulations allowed that.

The relation between the EWC and the employees

The EWC represents all employees in the Member States under the scope of the agreement. Employees can contact the EWC members on any issue that falls into the competence of the EWC. This, however, happens most rarely.

Reporting and confidentiality obligations of the EWC members and their right for training

The EWC members have reporting obligations to the “Market Units”. The EWC members fall under confidentiality requirements in connection with all qualified business information that have access to vis-à-vis third persons. The EWC members are entitled for further training, especially language training. This right includes the costs of the further training and the release from work during its period.

Time scope of the Company Agreement at the Group level

The agreement was made for an unlimited period of time. It can be finally withdrawn by any of the signatories with a notice period of 6 months and with year-end. In case of termination of the agreement it will remain in force as long as a new agreement is made to replace it. This means that employees cannot remain without representation of interest.

Challenges and objectives of E.ON EWC

The EWC board, elected last year, is of the view that the assessment of the EWC by the economic management of E.ON is positive and their relation is good.

The new board of the EWC was confronted immediately after its election with the new strategy of E.ON which posed a major challenge to the consultation of interests. The EWC board recognised that the corporate strategy has changed and so workers organisations must change, too.

The EWC must adapt itself to the new functional control system that will partly replace the previous territorial- regional based mechanism. The EWC recognised that in the future be taken the strategy and implementation decisions will in the functional centres, which means that even the decisions on the implementation will not be taken at the national level any longer. This will have the consequence that managers and works councils that had worked together before will lose their decision-making competences. This will undermine the workers participation in the decision-making. It is a challenge for the works councils to identify the individuals who have the competence to decide on such an issue. It is also clear that undermining the national decision-making systems will

mean that the EWCs will have to play a greater role and take more responsibilities in representing workers' interests.

Against that background, the E.ON EWC must deepen its cooperation processes and establish a relation of trust with the economic management of E.ON AG. At the same time, they must develop problem-resolving structures. Due to the operational nature of the group management, the national level will not have the right to intervene. The borderlines of the term "company" will shade away in the new structure, e.g., investment decisions will not be taken in the respected country, but possibly outside the national borders by the fleet manager. The statement of the E.ON Board, however, raises some hopes by which they are willing to involve the employees' representation the implementation of the new strategy.

To respond to the establishment of the "business centres" and to manage the above-outlined problems, the EWC intends to make use of the possibilities granted by the Company Constitution Act and set up a committee for all areas "business centres" operate in.

Another committee, the **Production Committee**, studies investments and national differences in connection with power plants. This committee had its first meeting on 24-25. November 2010. The economic management is also involved in the work of the committee. Dr. Bernhard Fischer, Acting Manager of the E.ON production sector, informed that the first meeting the members of the committee on activities going on in the production sector, e.g., collection of information on nuclear, coal, gas, hydro and solar power plants, on the central cost management method, the analysis of the economic life cycle of power plants and the survey of maintenance activities. He explained that fleet project tasks will be defined, and then implemented.

The changing economic environment and the changes in the organisational and management structures of E.ON urge the EWC to amend its operation agreement with E.ON due to the fact – as mentioned before – that the relevant new EU Directive will take force on 6. June 2011.

During the re-negotiations, the EWC wants to receive co-decision rights from E.ON in the working committees on re-organisation. It is important for the EWC to come to agreement on the point that management shall not implement measures before consulting with the EWC. It is also possible to make transnational agreements between the EWC and E.ON AG economic management. The general view was that the new agreement should cover the contacts between the Board and the trade unions. Furthermore, the trade unions should be involved in the processes. Against that background, the EWC **is determined to develop new organisation frames in cooperation with the trade unions and strengthen contacts with national trade unions.** It is important for the EWC to have good relations with the European Trade Union Federations, because the EWC can only exert pressure in cooperation with the trade unions on the economic management of E.ON AG in order to enforce workers' interests

The EWC was confronted with the fact that at the Rally of Works Councils (an informal meeting), all members of the Board of Directors were present and the participants became tangibly insecure, sarcastic reactions were often made, which can be explained by changes in many processes. **This urged the EWC to make agreements with the economic**

management of E.ON AG in the interest of the workers in connection with a cost saving of 600 million euros – until 2013 – that are similar to the agreement made during the IT re-organisation and in the area of employment. This is of utmost importance because decisions taken at the central level may cause major difficulties, especially if the decision-makers do not consider local conditions.

Another important task of the EWC is to make an agreement with E.ON AG on social corporate responsibility. EDF and RWE already have such agreements. The agreement on corporate social responsibility sets out the principles the corporation will follow in connection with employees – while evidently focusing on production and profits – and obliges itself to comply with these principles. The agreement made in RWE stipulates when the EWC has to be involved into the decision-making and what procedures shall be followed in case of reorganisation measures.

A similarly important task for the EWC is to make an agreement on minimum requirements to be applied during reorganisation. RWE has such an agreement as well. This agreement and the stipulation of minimum requirements is of great importance because the consultation of interests at the national level has become impossible, and minimum standards accepted and defined by multinational corporations will become ever important in the globalisation process.

There are similar examples in the operation of E.ON AG, e.g., in connection with the outsourcing of the IT activities. The EWC managed to agree that the benefits will be defined along the same principles in all the countries and have a certain minimum compensation as well.

The EWC attaches great importance to defining minimum social requirements as well, because there is no standard at the European level that would provide e.g., veto right for EWCs on issues like works councils have in the Netherlands or Germany.

Finally, the improvement of information flow and communication is another important goal. The EWC wants to harmonise the information flows and the handling of information in the different countries. Therefore, they will develop a communication draft.

Communication with the employees is typically rare at the moment; the information channels of trade unions pass on information to the workers. Against that background it is important that communication is improved with trade unions at the company level. Internet must be embedded in the process of forming opinion because this is an instrument many employees can be reached with. Communication has an outstanding role already today and it will be even more important in the future. This was recognised by the new EU Directive as well, as it obliges the information to employees and other employees' representations.

Experiences of the Hungarian delegation during the work of E.ON EWC

The achievements of the work of E.ON European Works Council are assessed by the Hungarian E.ON EWC members from the point of view of the Hungarian employees.

The EWC initiated in 2006 the payment of extraordinary benefits for all employees of the E.ON AG on the basis of the outstanding financial results. Interestingly, the payments made to employees working in Hungary were scheduled in a different manner – due to an unfortunate accident – than in other E.ON companies.

Another achievement was the transfer of the written documents of the trading company in Düsseldorf to the Hungarian employers and employees.

In 2010 the E.ON EWC helped the Hungarian sectoral wage negotiations to success. Through the help of the European Works Council a regular dialogue could be established with the employer and the top management of E.ON AG.

Another achievement for the Hungarian members of the E.ON EWC is the setting up of a wage committee with the help of the EWC. This committee studies the wage situation in the newly accessing Central and Eastern European countries and compares it to the most developed Western European region. Unfortunately, the wage committee is not very successful because the Central and Eastern European countries could not agree on a uniform objective.

The setting up of the Communication Committee and the management of the local conflicts is another important achievement. For the Hungarian representatives it is important to have access to agreements made in other countries to international comparative data through their involvement in the EWC activities and also to get insight into other work cultures and establish contacts to employee representatives from other regions. It is in their view unfortunate that the Central and Eastern European countries are still handled separately in the EWC.

Assessment of the EWC members and work committee members on the working conditions of the EWC on the basis of a questionnaire and interviews

The majority of the answerers were satisfied with the operation conditions of the EWC and with its current operation. The members are mainly delegated by Works Councils with the support of trade unions.

The members have the contacts of the other EWC members and can use a communication channel independent from the company; their contacts can be considered as continuous, although the answers also imply that the amount of information received is greater than the amount passed on.

It is positive that EWC members answering trust each other, pass on confidential information, if their work in the EWC so requires.

Clearly the language barriers provide difficulties in their communication; however, the translation of information and documents is guaranteed into the national languages.

The answerers are satisfied with the communication of the EWC Board (Executive Board), and pass on information to the Board at least as frequently as they receive it.

The EWC has an office, a secretariat and the technical facilities. The release from the working time is also guaranteed for EWC members, similarly to translation and interpretation. The EWC has its own budget and can involve external experts, too.

Training courses are continuously offered. There are training courses for languages and IT skills. Training is organised on the legal basis of the EWC operation on the content of the 2009/38/EC Directive and on basic financial expertise. They also have the possibility to get an insight into the countries and the culture of the EWC members.

The EWC members regularly inform local Works Councils (trade unions) on the activities in the EWC partly verbally, partly in written form. Some Works Councils (trade unions) contact the EWC members, if they need to pass on certain problems to the EWC.

The EWC members answering the questionnaire actively influence the life of the EWC, the issues to be discussed and the agenda of the meetings.

EWC members are of the view that the content of the information provided by the management is excellent, the timeliness is appropriate, although there is room for improvement. Management although not always, but considers in its decisions the opinion and the position of the EWC.

EWC members think that through the activity of the EWC, the local information and consultation procedures have improved and this type of influence of the EWC activity is strong.

The majority of the EWC members in the survey see their expectations fulfilled in the activities of the EWC.

At the same time, it is a general view that the EWC rights – beyond the ones in the new Directive – need to be strengthened.

The current level of two-way communication is considered to be a problem; it needs to be strengthened both in the direction of the members and the trade unions.

Trade unions must be stronger involved into the work of the EWC in the whole spectrum of consultation of interests. Both the international and the national level have to be involved into the consultation process at the E.ON AG level.

Proposals to improve the E.ON EWC work and develop its activities

The EWC of E.ON AG fulfils its task appropriately. They are guaranteed the necessary infrastructure for operation, their activity is regulated, have good contacts to management and within the frame of possibilities can represent on the basis of their competences the interest of

E.ON AG employees. It is important to have tangible results for the employees, e.g., the additional payments for workers in 2006. It is a deficiency that there are no written agreements, e.g., on the social responsibility of E.ON AG or the minimum requirements to be applied in restructuring.

The E.ON EWC is faced with major challenges, especially in connection with the serious economic problems of E.ON AG and the content of the new strategy. The EWC can only respond to the challenges appropriately, if it renews in its structure and in the content of the work.

It is important to strengthen the contacts with trade unions at all levels – this was recognised by the EWC and is one of its objectives.

At the international level, certain steps have already been made for a closer cooperation with the trade unions – e.g., by providing the status of constant invitees to the representative of international trade union federations. **It should, however, be considered to establish together with the international trade union federations and EWC Consultation Forum where all EWCs under the International Trade Union Federation could be represented. Such a Forum could provide the possibility to learn mutually about the activities and the achievements and take over good practices.**

Similarly important is **the setting up of a Trade Union Round-Table with the participation of trade unions in the operation area of the EWCs. The Trade Union Round-Table could provide a possibility at its meetings for trade union representatives and EWC members to exchange their views on issues discussed by the EWC.**

At national level **trade union coordinators should be nominated.** Such a coordinator could harmonise the activity of national EWC members. This would not necessarily be EWC members belonging to the same corporation, but members in different EWCs belonging to the coverage of a given trade union. The coordinator could function as an information basis passing on information on the work of the different EWCs and on best practices.

The cooperation with trade unions could also provide possibilities to involve experts. Trade unions invite experts in certain activities similarly to EWCs. The work could be made more efficient **with the same expert pool.**

The activity of working committee next to the EWCs is an important structural and content issue. It should be considered to set up next to the E.ON EWC and the existing committees **Committee on Information and Communication Technology, and a Committee on Occupational Safety and Health and Environment, similarly to the Group Level Works Council of E.ON.**

Next to the structural changes, the **improvement of communication** is an important question of content. Communication must be strengthened in the direction of all parties involved in the consultation of interests. Efforts must be made **to develop a two-way flow of information, so that European Works Council members learn about the view of the broadest possible scope of employees and take their decisions against that background; they have to pass**

on these views to the economic management of E.ON AG. It is also important to develop **an information channel with trade unions and provide for a regular flow of information,** so that the EWC members receive the information with the help of the trade union information network. It is also important **for employees to get an insight into the activities of the EWC and to see clearly the content of this work** and the issues discussed. It is also important **to pass on information to employees EWC members receive from the economic management in the negotiations** as this is one of the main tasks of the EWCs also under the new Directive.

EWC competences should be strengthened, on the one hand by joint actions with the international trade union federations through the drafting of a new EU Directive, and through agreements on the operation of the Works Councils, on the other.

The EWC must make efforts to make agreements with the economic management of E.ON AG on all issues concerning employees. This is strongly needed against the background of an increasingly centralising management and decision-making, through which the bargaining possibility of the local level shrinks. **Consultation of interest is only possible where the decisions are taken. It would be worthwhile to consider whether centralisation will result in an increased role of the European Works Councils, and whether these will have to a certain extent take over the responsibility of the consultation of interest on issues that did not belong their competence until now. If the answer is yes, the EWC will have as strong competences as local participants of the consultation of interest have now. Without that, there is a danger of leaving employees without the possibility of enforcing their interest.**

Another issue of content is **the development of international standards** at E.ON AG. As both the strategic and the implementation decisions are taken centrally, efforts must be made to agree on standards that need to be followed in the implementation of decisions irrespective of the country the decision is implemented.

The writer of this study is convinced that the above changes in structure and content help the EWCs to influence company decisions and represent workers' interests. It is not easy to implement these changes. The EWC must make use of the possibility the recast of its agreement provides. It must negotiate in a determined manner, so that the employer accepts the above outlined changes in structure and content and possibly to force the right for co-decision from management in connection with certain issues concerning the working conditions of employees. The agreement should provide guarantees that management does not implement any decision that influences employees before concluding consultation with the EWC. **It should be considered, if the European Works Councils should have the right together with the trade unions for bargaining "collective agreement" at the level of E.ON AG.** This could define the standards for all employees in E.ON.

EXECUTIVE SUMMARY

The study presents E.ON AG, its organisation structure, the current economic situation, the short and medium term challenges and the new answers given by the management within the frame of the new strategy of the E.ON AG.

E.ON AG is the largest private investment company in the European and the German energy sector. E.ON AG is the typical transnational company, also called multinational corporation; a company with production sites, units, subsidiaries or capital shares in local companies - mainly independent legal persons - in several countries (currently in 13). E.ON AG bears all characteristics of a transnational corporation. All major decisions - strategic, organisational, economic, financial, investment, development, HR (wages and employment) - are taken at the central level and concern all 90 000 employees employed by E.ON AG directly or indirectly.

E.ON AG is a global service provider providing special energy services. Its organisation structure guarantees an unambiguous and clear definition of the tasks and responsibilities in order to achieve its objectives in the most efficient manner.

The central management of E.ON AG is the headquarters in Düsseldorf. The business activities of the whole group are controlled and coordinated from here. Business activities are split into global (according to functions) and regional (according to countries) units. There are five global units: electricity generation, renewable energy resources, New Build & Technology and global gas and trade. Twelve European regional units control the sales activities, the regional electricity networks and the distributed energy production in the different countries. Russia is of a key importance. Special areas, like IT, procurement and business processes are controlled at group level.

The strategy of E.ON AG before 2010 was corporate growth and acquisition. The result of this policy is that E.ON AG is indebted and new challenges emerged. The CO₂ emission trade will be fully applicable after 2013. Corporations will have to buy certificates. This will jeopardise 80% of the German energy production. There are major challenges in gas supply, as well. There is an oversupply in the gas market due to the fact that gas can also be extracted from between the coal layers, and that the USA is not a gas importing country any more, but a gas exporting one.

The answer by the E.ON AG management to the challenges was the new strategy published 10. November 2010 with the key message: „Cleaner & better energy”. As part of the new strategy E.ON AG intends to produce on the long term 75% of its revenue in Europe but the remaining 25% outside Europe. (The share today is 91% to 9 % (!!).) E.ON AG is heading for a new managerial structure and a more transparent organisation. It intends to decrease corporate indebtedness. The unit based CO₂ emission shall be decreased by 50% until 2020.

E.ON AG plans to respond to the challenges among others with the following steps: Dividends will decrease by 15%. Lenders will have to give free hand to the repayment of the loans. Further cost-saving must be achieved after 2013, the aim is a cost saving of 600 million Euros. The sale of companies and shares will bring 15 billion Euros until 2013.

According to the new strategy, E.ON AG will shift from being a European energy supplier to becoming a global special service provider of energy solutions.

The implementation of the new strategy requires the centralisation of decision making. The previous territorial and regional control will be supplemented by a functional control system. In contrast to the previous practices, where the implementation decisions were taken at the national level, these will be shifted in the new structure to the central level, to the „business centres“. HR will also become part of the functional control.

The study is continued with the system of norms of the EWCs, specifically with the new directive 2009/38/EC. The directive on the establishment of the European Works Councils and of the information and consultation processes with employees took force 5. June 2009.

The new directive underlines that trade union representatives can support the Special Negotiating Bodies to establish the EWC or the work of the EWC itself. The new directive provided a better definition of information and consultation rights, as well.

The study gives a description of the main regulations of the German Company Constitution Act (*Betriebsverfassungsgesetz*).

The core of the study deals with the activities of the European Works Council of E.ON AG. The stipulations of the 3rd. Corporate Agreement (CA) of 17. August 2006 describe in detail the personal and organisational scope of the CA, the E.ON AG EWC membership regulations and the composition of the E.ON AG European Works Council. Susanne Senica from the Energy and Mining Federation (EPSU) is a constant invitee to the EWC meetings (board meeting, plenary) since 2010.

The study describes the composition of the EWC board (executive committee), the operation rules of the EWC and the order of its meetings. The study also presents the EWC committees, the informal consultations, the funding of the EWC, the protection of the EWC members, the contacts between EWC and employees, the reporting and confidentiality obligations of EWC members, their right for further training and the tie scope of the CA. It should be noted that in case of termination of the agreement it will be in force as long as it is replaced by a new agreement

The document provides information on E.ON AG EWC board decisions from 5-6 July 2010 and the EWC decisions from its meeting 19. July 2010 this set the vision of the E.ON AG EWC, its goals and operation method. Among others, it defined that the responsibilities of trade unions at the international level are increasing and as trade unions are organic part of the representation of workers interests, the possibilities they offer must be utilised by the EWC. The conclusion of the EWC-agreement is defined as a major task as it will regulate the minimum requirements within E.ON AG.

The EWC must adapt itself to the new functional control system replacing the former territorial and regional one. The EWC has recognised that in the future the functional centres will take strategic and implementation decisions, which means that the implementation decisions will not be taken at the national level either. Should the national decision taking systems be undermined, the EWCs will have an increased role and responsibility in representing workers interests.

With the renegotiation of the agreement the EWC wants to receive co-decision rights in the working committees to be established after the reorganisations of E.ON, to create a new organisational framework for the co-operation with the trade unions and to establish contacts to the national trade unions, as well.

As part of the new strategy of 600 million Euro savings – until 2013 – the EWC plans to make agreements with the economic management of the E.ON AG for the benefit of the workers.

For the EWC the agreement on corporate responsibility of the E.ON AG is of great importance. Similarly, there is a need to make an agreement on the minimum standards to be applied during restructuring.

It would be important for the EWC to define the minimum social standards, too.

Another important goal is the improvement of information flow and communication.

The study includes the opinion of the Hungarian EWC members on the activities of the E.ON EWC and – on the basis of questionnaires and interviews – the view of other national EWC members, too.

At the end of the study some proposals are made that will hopefully help the EWC negotiations during the renegotiation of the Central Corporate Agreement.

The proposals are related to the renewal of the structure and substance of the E.ON AG EWC. The key moment of structural changes is creating stronger links with the trade unions and establishing the organisational framework for this. The other important organisational issue is the equal expert pool, the need for other committees next to the existing ones and their competences. Next to the structural changes, the improvement of communication is an important issue of substance. Furthermore, it is stated in the study that this is a necessary condition but not sufficient by itself. Part of the consequences of centralisation is the need to reassess the work of the EWC, against that background to reconsider the EWG rights and competences and the need to develop international standards. The EWC must make use of the opportunities offered by the recast of the agreements on EWCs. The achievement of co-decision competences would be optimal for certain issues concerning employees' working conditions.

The study is concluded with this executive summary, the attachment includes the list of the EWC members and invitees.

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Annex

European Works Council members

85.111 E.ON Group

Bartoschek, Werner	E.ON-Ruhrigas AG	DE	PEG	member
Gratz, Gabriele	E.ON-Ruhrigas AG	DE	PEG	member
Hansen, Thies	E.ON Hanse AG	DE	CE	member
Spandöck, Stefan	E.ON AG	DE	CC	member
Krimphove, Martin	New Build & Technology GmbH	DE	CE	member
Kupfer, Norbert	Energy Trading SE	DE	MU	personal vice-president
Mittmann, Dr. Michael	E.ON IT	DE	IS	member
Prüfer, Hans	E.ON Avacon AG	DE	CE	
Schomburg, Eberhard	E.ON Kraftwerke GmbH	DE	CE	president
Tomkó, Ines	E.ON Kernkraft GmbH	DE	CE	member
Broutta, Clive	Privat	UK	MU	member
Gale, Simon	E.ON UK plc.	GB	MU	vice-president
Philip McGrath	E.ON Energy Ltd.	GB	MU	member
Luha, Eugen Gheorghe	E.ON Gaz Distributie S. A.	RO	CE	vice-president
Toda, Daniel	E.ON Gaz Distributie S. A.	RO	CE	member
Munteanu, Cristian	E.ON Moldova Distributie S.A.	RO	CE	tag
Rajko, Vince	E.ON Hungaria Rt.	HU	CE	member
Réffi, Péter	E.ON Hungaria Rt.	HU	CE	vice-president
Takács, Tünde	E.ON Partner Szervezet	HU	CE	member
Ekblom, Mats	E.ON Sverige AB	SE	MU	member
Svensson, Per-Anders	E.ON Sverige AB	SE	MU	member
Widgren, Hans	E.ON Sverige AB	SE	MU	vice-president
Pelouch, Miroslav	E.ON Česká republika, a.s.	CZ	CE	vice-president
Picmaus, Martin	E.ON Česká republika, a.s.	CZ	CE	member
Asenova, Nikolinka	E.ON Bulgaria EAD	BU	CE	member
Pavlov, Ilian	E.ON Bulgaria Grid	BU	CE	member
Arca, Mario	E.ON Italy	IT	MU	member
Montes, Feliciano	E.ON Espana	ES	MU	member
Caselles, Pierre	E.ON France	FR	CE	member
Vis, Willem	E.ON Benelux	NL	CE	vice-president
Kappy, Bogumila	E.ON Poland SEC	PL	CE	member

Constant invitees:

Senica, Susanne	ver.di Bundesverwaltung		DE	
Stachelhaus, Regine	E.ON AG	DE	CC	
Heberger, Frank	E.ON AG	DE		
Ikemann, Hermann	E.ON AG	DE	CC	
Lübken, Renate	E.ON AG	DE	CC	
Maloney, Patrick	E.ON AG	DE	CC	
Smatralova, Silvia	ZSE	SK	CE	