



VELFERÐARRÁÐUNEYTIÐ

*Ministry of Welfare*

**Act on European Works Councils in Undertakings, No. 61/1999,  
as amended by Act No. 104/2014.**

**SECTION I**

**Aim and Scope.**

**Article 1**

*Aim of the present Act.*

The aim of the present Act is to improve the right of employees to information and consultation in undertakings or groups of undertakings that operate in at least two states in the European Economic Area (EEA).

For this purpose, a European works council (hereinafter named “works council”) or a procedure, shall be established in each undertaking and each group of undertakings for the purpose of information and consultation, as specified further in this Act.

[Provision of information to, and consultation with, employees or their representatives shall take place at the appropriate level of management with the competent representatives in accordance with the matter to be discussed in each instance.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 1.

**Article 2**

*Scope.*

This Act shall apply to all undertakings and groups of undertakings (*cf.* Articles 3 and 4).

When the central management (*cf.* Article 7) of the undertaking is in Iceland, this Act shall moreover apply to its overseas subsidiaries and branches, with the exception of Article 8, the third and fourth paragraphs of Article 11, the second and third paragraphs of Article 21 and Articles 34-35.

[The scope of powers and competence of a works council and the provision of information to, and consultation with, employees under this Act shall be restricted to transnational matters (*cf.* Article 8 a).

This Act does not apply to the provision of information and consultation covered by the Information and Consultation in Undertakings Act, No. 151/2006. Furthermore, this Act does not apply to the rules on the provision of information and consultation under Article 6 of the Act on the Legal Position of Employees in the Event of Transfer of Undertakings, No. 72/2002 and under Chapter II of the Collective Redundancies Act, No. 63/2000.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 2.

**SECTION II**

**Definitions.**

**Article 3**

*Undertakings.*

For the purposes of this Act, the term “undertaking” refers to an undertaking that:

1. has at least 1,000 employees in states within the European Economic Area, and
2. has branches in at least two EEA states, with at least 150 employees in each state.

## Article 4

### *Group of undertakings.*

For the purposes of this Act, the term “group of undertakings” refers to a group of undertakings that:

1. has at least 1,000 employees in states within the European Economic Area,
2. has branches in at least two EEA states and
3. consists of at least two undertakings, each in a different EEA state, each of which undertakings has 150 or more employees.

## Article 5

### *Controlling undertaking.*

“Controlling undertaking” refers to an undertaking that is in a controlling position with regard to another undertaking, e.g. on the basis of the right of ownership, financial participation or the rules according to which it functions (*cf.*, however, the first paragraph of Article 6).

Unless it is possible to demonstrate the contrary, an undertaking shall be considered to be in a controlling position with regard to another undertaking if, directly or indirectly,

1. it has the right to nominate more than half the representatives to that undertaking’s administrative, management or supervisory body, or
2. it controls a majority of the votes in that undertaking, or
3. it owns a shareholding of more than 50% in that undertaking.

If two or more undertakings within the group of undertakings satisfy one or more of the criteria of the second paragraph, then the one that satisfies the criterion of point 1 of the second paragraph shall be considered to be the controlling undertaking. If none of the undertakings satisfies the criterion of item 1 of the second paragraph, then the undertaking that satisfies the criterion of item 2 of the second paragraph shall be considered to be the controlling undertaking.

An undertaking in relation to which a controlling undertaking stands in any of the relations listed in the first and second paragraphs shall be regarded as a controlled undertaking. In combination, a controlling undertaking and its controlled undertakings constitute a group of undertakings.

When determining the significance for the purposes of this Article of the voting rights and the right to nominate representatives to an undertaking’s administrative, management or supervisory body, the rights of the controlling undertaking and those of its controlled undertakings shall be taken into account.

## Article 6

### *Exceptions.*

Undertakings shall not be considered to be controlling undertakings in the sense of the first, second and third paragraphs of Article 5 in the following cases:

1. Credit institutions, other financial institutions or insurance companies in which securities brokering or the purchase and sale for own or others’ account fall under the normal activities of the undertakings in question, which hold shares in other undertakings on a temporary basis and intend to sell them again. The criterion shall be that they do not exercise the right to vote accompanying their holdings in the undertaking in order to determine the competitive measures taken by the same undertaking, or that they exercise this right to vote exclusively in order to prepare the sale of the undertaking in question, as a whole or in part, or of its assets or shares, and that this sale takes place within one year of the acquisition of the shares.
2. Holding companies which gain control, directly or indirectly, of another undertaking by purchasing a share in it, or through some other means, on condition that the voting rights conferred by the control is exercised, particularly as regards appointment to the management or administrative bodies of undertakings in which they own shares, solely in order to maintain the full value of these investments and not to determine, directly or indirectly, the competitive measures taken by these undertakings. The term “holding companies” is here used to refer to undertakings the main purpose of which is to invest in other undertakings and derive profit and benefit from such interests without involving themselves, directly or indirectly, in the management and administration of such

undertakings.

The administrator of an insolvency estate under the Receivership Act, or other person who has been appointed according to law to carry out effect dissolution of a company, a moratorium on the payment of debts, compositions or other comparable measures, shall not be regarded as being in a controlling position in the sense of Article 5.

#### Article 7

##### *Central management.*

The board of an undertaking shall be regarded as its central management.

The board of a controlling undertaking (*cf.* Article 5) shall be regarded as the central management of a group of undertakings. If two or more undertakings within the same group of undertakings are controlling undertakings, the board of the undertaking which is in a controlling position with regard to the others shall be regarded as the central management (*cf.*, however, the first paragraph of Article 6).

If the central management of an undertaking or group of undertakings is not in an EEA member state, then the representative appointed by the central management shall be regarded as the central management. Where no such representative has been appointed, then the central management of the undertaking or branch which has the largest number of employees in any one EEA member state shall be regarded as the central management.

#### Article 8

##### *Numbers of employees.*

Numbers of employees (*cf.* Articles 3 and 4) refer to the average numbers of employees during the two years prior to the submission of an application under Article 10. When numbers of employees are determined, no distinction shall be drawn between part-time and full-time employees, see, however, the second paragraph.

The central management shall furnish the representatives of the employees with information on the total number of employees in undertakings and branches in individual states. Moreover, the central management shall furnish them with information on the corporate structure of the undertaking or group of undertakings.

##### [Article 8 a

##### *Transnational matters.*

For the purposes of this Act, “transnational matters” refers to matters which concern:

1. an undertaking (*cf.* Article 3), as an entity,
2. a group of undertakings (*cf.* Article 4), as an entity, or
3. at least two undertakings in a group of undertakings or two branches of an undertaking or group of undertakings in two EEA Member States.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 3.

##### [Article 8 b

##### *Employees’ representatives.*

For the purposes of this Act, “employees’ representatives” refers to trade-union shop stewards and/or common representatives of those employees of the undertaking in question who do not have a shop steward, unless other arrangements are made in collective agreements or agreement is made on another arrangement within the undertaking.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 3.

##### [Article 8 c

##### *Provision of information.*

For the purposes of this Act, “provision of information” refers to the provision by the employer to the employees’ representatives of information which enables them to acquaint themselves with the substance of a matter. Information shall be of such a nature, and be provided at such time and in such manner that the

employees' representative is able to make a detailed assessment of the possible effects thereof and, as appropriate, to prepare consultation with competent parties in the undertaking or group of undertakings in question.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 3.

[Article 8 d

*Consultation.*

For the purposes of this Act, "consultation" refers to the establishment of dialogue and an exchange of views between employees' representatives and central management or any more appropriate level of management. Consultation take place at such time, in such fashion and with such content as enables employees' representatives to express an opinion on the basis of the information provided about the proposed measures to which the consultation is related.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 3.

### **SECTION III**

#### **Establishment of a works council or approval of procedures regarding information and consultation.**

Article 9

*Responsibility.*

The central management shall be responsible for creating the conditions necessary for the setting up of a works council or the approval of a procedure regarding information and consultation.

Article 10

*Initiation of negotiations.*

The central management shall initiate negotiations for the establishment of a works council or an information and consultation procedure on its own initiative or at the written request of at least 100 employees or their representatives in at least two undertakings or branches in at least two different EEA member states.

A request in accordance with the first paragraph shall be submitted to the central management or other management body of the undertaking, which shall then send it on to the central management.

The period under Article 19 shall begin when the employees' request (*cf.* the first paragraph) has been submitted to the central management or management body of another undertaking involved which is part of the group of undertakings or the undertaking.

Article 11

*Appointment of a special negotiating body.*

When the criteria of Article 10 have been met, the central management shall take the initiative on the appointment of a special negotiating body with the role of working towards the establishment of a consultative council or the establishment of an information and consultation procedure.

[Employees' representatives shall elect representatives from among their number to sit on the special negotiating body under the first paragraph. If this is not possible, then all the employees shall elect them.]<sup>1)</sup>

Representatives to the negotiating body who are elected in Iceland shall be elected from among the employees by the shop stewards within the undertaking. If there are no shop stewards within the undertaking, then all the employees of the undertaking or branch shall have the right to participate in the election of representatives to the negotiating body.

Employees who in terms of their position have no shop steward shall have the right to elect a representative who shall participate in the election of representatives to the negotiating body.

[The number of employees' representatives to be appointed to the special negotiating body from each EEA Member state in which the undertaking or group of undertakings has a branch or an undertaking shall depend on the number of employees in that state as a proportion of the total number of employees of the undertaking or group of undertakings. A minimum of one employees' representative from each EEA

Member State shall have a seat on the special negotiating body under the first sentence where the number of employees is less than 10% of the total number of employees of the undertaking or group of undertakings.

When the special negotiating body has been appointed, the central management, local management units and the competent European-scale employers' and workers' federations shall be informed of its appointment and of the initiation of attempts to negotiate agreements.<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 4.

## Article 12

### *Tasks of the special negotiating body. Expenses.*

The negotiating body and the central management shall work in a spirit of collaboration on the preparation of a written agreement on the establishment of a works council or an information and consultation procedure.

[The special negotiating body may call for assistance by experts of its own choice, such as representatives of the competent recognized trade unions or European-scale workers' federations. Such experts, and trade-union representatives, may be present at meetings where attempts are made to negotiate agreements in order to give advice to the special negotiating body.]<sup>1)</sup>

The central management shall bear the costs of the negotiations so as to enable the negotiating body to carry out its tasks properly; these costs shall include expenses incurred for travelling and accommodation. Furthermore, the central management shall provide the negotiating body with accommodation, interpreters and secretaries where necessary.

<sup>1)</sup> Act No. 104/2014, Article 5.

## Article 13

### *Calling of meetings.*

When the negotiating body has been appointed (*cf.* Article 11) the central management shall call it to a meeting with the purpose of opening negotiations on the making of an agreement according to Articles 14 and 15. The managements of other undertakings shall be informed of the calling of the meeting.

[Before and after each meeting with the central management, the special negotiating body may meet without representatives of the central management being present, using any means of communication necessary for this purpose.]<sup>1)</sup>

<sup>1)</sup> Act No. 104/2014, Article 6.

## Article 14

### *Content of the agreement on a works council.*

The agreement on the establishment of a works council (*cf.* the first paragraph of Article 12) shall contain the following minimum provisions:

1. The names of the undertakings and/or branches (*cf.* Articles 3 and 4) covered by the agreement.
2. [The composition of the European Works Council, the number of members, allocation of seats and term of office. When seats are allocated, attempts shall be made to achieve balanced representation to the extent possible in terms of representatives' gender, activities and category of employment.]<sup>1)</sup>
3. [The functions and procedure for the provision of information and consultation by the European Works Council, and also how the provision of information and consultation by the council are to be coordinated with the provision of information and consultation by national employee representation bodies; in this, the provisions of the third paragraph of Article 1 and the third paragraph of Article 2 shall be taken into account.]<sup>1)</sup>
4. The venue, frequency and duration of the council's meetings.
5. The financial and material resources to be allocated to the council.
6. [The date of commencement of the agreement and its term of validity, how it can be amended or terminated and under what circumstances the agreement is to be renewed and how this is to be done, these circumstances to cover, where necessary, amendments in the structure of an undertaking or group of undertakings.]<sup>1)</sup>