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**The best advice for
new and existing Finance Committees**

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The best advice for new and existing Finance Committees

All companies that normally have more than 100 permanent employees must set up a Finance Committee. There are many good reasons for this, one of them being that the Finance Committee (FC) has certain rights and privileges that are not available to the Works Council (WC). An active Finance Committee sheds light on the company's figures, strategies and goals. It supports the Works Council in negotiating financial matters with the employer on an equal footing. And that's the key to securing the future of the company and the interests of the employees in the long term. But how exactly does this work? This practical guidebook contains important information, detailed checklists and many practical tips about the FC's work. If you have any questions about the committee's work or our training courses, please don't hesitate to contact me. Just give me a call or send an e-mail. I am looking forward to personally assisting you!

Happy reading and lots of success on the committee!

Best regards,

Martina Wendt

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THE FINANCE COMMITTEE – DELIVERING ON ALL FRONTS!

What privileges are available to an active Finance Committee?

The Finance Committee deals with the most important issues in the company – it is the first point of contact for management for all business/operational issues and management decisions. To ensure that the FC can competently discuss these important matters with company management, it has special rights and privileges. The biggest plus for the Finance Committee: Company management is required by law to keep the FC informed about financial matters.

What should/may be of interest to the Finance Committee?

The work of the Finance Committee revolves around topics that are of importance to the jobs in the company and job security.

- Data, figures and facts that relate to the company's economic and financial position
- Restructuring measures – for example, the relocation of a factory, closure of production sites, but also changes in the company's organisation
- Personnel planning, job security, corporate planning, management strategies and future outlook

Interface between Works Council and company management

A well-functioning Finance Committee acts as an interface between the Works Council and company management. It provides important information on the company's situation to the Works Council, and thus makes an important contribution to employee co-determination.

Our management has recognised the benefits of a strong and well-functioning Finance Committee. In order to further improve the flow of information, for some time now a FC member has been invited to the weekly planning meetings between company management, Controlling and Production Management. As a result, the FC is always fully informed about the order and sales situation, cost distribution, use of resources and many other important topics. This information is then supplied to the Works Council where it serves as a valuable resource."

Andreas I., member and spokesperson of the Finance Committee.

FIVE GOOD REASONS FOR SETTING UP A FINANCE COMMITTEE

1 The FC provides information and advice to the Works Council on all issues relating to the economic situation of the company.

2 The FC has the right to examine all important business figures in order to gain an overview of the current economic situation.

3 The FC gains access to important financial data far sooner than the Works Council. It also receives much more detailed information. This turns the Finance Committee into an effective alarm system that can provide the Works Council and employees with timely warnings about company crises.

4 The FC is able to identify the real cause of financial problems and, together with the Works Council, can initiate effective measures to protect jobs.

5 The FC supports the Works Council in developing competent arguments to refute the economic necessity of planned corporate measures and assists in the development of employee-friendly alternatives and in obtaining the employer's buy-in.

> *A Finance Committee sheds light on the company's figures, strategies and goals. Thanks to a clear and comprehensible 'translation' of the information, the Works Council receives competent support in financial matters."*
>
> Björn J., Works Council Chairman and Finance Committee member

Keep in mind:
The Finance Committee
is the early warning system
for the Works Council!

MANDATORY FINANCE COMMITTEE

When is a Finance Committee required?

In accordance with the Works Constitution Act, companies that normally have more than 100 permanent employees must set up a Finance Committee. One of the reasons being is that in larger companies, the Works Council‘s entitlement to information on financial matters is more restricted. Here, the employer is only required to keep the Financial Committee fully informed.

§ Section 106 (1) of the Works Constitution Act (Betriebsverfassungsgesetz, BetrVG)

A Finance Committee shall be established in all companies that normally have more than 100 permanent employees.

How is the number of employees calculated?

When calculating the number of employees, the following two points are crucial:

1. All employees who work for the organisation must be counted – not just employees in individual companies.

2. The decisive factor is the “normal” number of employees. Here, not only past employee numbers but also future workforce developments must be taken into account. What this means is that employees on maternity or paternity leave and trainees must also be included. (see also Berlin Higher Labour Court, 25/4/1988 – 9 TABV 2/88)

Who appoints the Finance Committee?

The FC members are appointed by the Works Council. Approval by company management or election by the workforce are not required. The appointment process is informal and unbureaucratic: The Works Council approaches potential candidates. If they agree, appointment and secondment are confirmed by a simple majority vote. The WC then notifies company management of who will be actively involved on the Finance Committee.

What special characteristics should be kept in mind when establishing a Finance Committee?

The Finance Committee is set up at the company level – and only there. What this means is that if the company has a Central Works Council, this council appoints the FC members.

§ Section 107 (2) BetrVG

Where a Central Works Council has been established, the members of the Finance Committee shall be appointed by the said council.

Practical tip:

Companies that normally have more than 100 permanent employees must set up a Finance Committee. The appointment is made solely by the WC. Approval by the employer or election by the workforce are not required!

What constitutes a gross breach of duty by the Works Council?

Companies that normally have more than 100 permanent employees must establish a WC. One of the reasons being is that the Works Council is required by law to competently represent the interests of all employees in the workplace, also in financial matters. In order to be able to do so, a Finance Committee is required in larger companies. If a FC is not established, this could constitute a gross breach of duty by the Works Council in accordance with Section 23 (1) BetrVG. (See also DKKW/Däubler, Section 106, recital 14.)

Watch and learn:
video on how to set up a FC

Pictures speak louder than a thousand words. Click on the “Wirtschaftsausschuss” [Finance Committee] heading and watch the video on how to set up a FC.

www.betriebsrat.de

WELL-POSITIONED: THIS IS HOW THE FC WORKS

How many members should the FC have?

The Finance Committee must have at least 3, but no more than 7 members. Within these legal boundaries, the Works Council can decide freely on how many members it would like to appoint to the Finance Committee. Generally speaking, the more competent members work together hand-in-hand, the more the Finance Committee will be able to achieve. Therefore, the maximum limit of 7 FC members should be taken full advantage of, especially in larger companies.

§ **Section 107 (1) BetrVG**

The Finance Committee shall consist of not less than three and not more than seven members, who shall be employees of the company and at least one of whom shall be a Works Council member.

Who is appointed to the Finance Committee?

All committee members must be company employees. In addition, at least one FC member must also be a Works Council member. As per the BetrVG, it is expressly permitted for the Works Council to appoint company executives to the Finance Committee (Section 107 (1) sentence 2 BetrVG).

What legal status do FC members have?

Just as members of the Works Council, members of the Finance Committee serve in an honorary capacity. All members must be exempt from their regular duties to perform FC-related activities without a reduction in pay. In addition, they may not be prejudiced or favoured by reason of their work on the Finance Committee.

§ **Section 107 (2) BetrVG**

The members of the Finance Committee shall be appointed by the Works Council for a period corresponding to its own term of office.

What is the term of office of the Finance Committee?

Finance Committee activities correspond to the Works Council‘s term of office. In addition, the term of office of FC members automatically expires when the workforce falls below 101 permanent employees for more than a temporary period.

Practical tip:

In larger companies, in particular, you should not leave any seats on the Finance Committee unfilled. Take advantage of the opportunity to increase the number of FC members to 7!

Good to know:

PROTECTION AGAINST DISMISSAL FOR FC MEMBERS

If a FC member is terminated due to his work on the Finance Committee, the termination is invalid. The reason being is that though members of the Finance Committee do not belong to the group of people specified in Section 15 of the Employment Protection Act (Kündigungsschutzgesetz, KSCHG), they must not be treated differently as a result of their activities in accordance with Section 78 sentence 2 BetrVG.

Who must be invited to attend FC meetings?

Who can be/must be invited to attend Finance Committee meetings?
There are 3 important things to keep in mind here:

1. The employer or its representative must attend (see Section 108 (2) sentence 1 BetrVG).

2. Experts may be invited to the meetings (see Section 108 (2) sentence 3 BetrVG).

3. The Representative Body for Severely Disabled Employees is entitled to participate in FC meetings (see Section 178 (4) of Book IX of the German Social Code (Sozialgesetzbuch, SGB)).

Exception: ideological establishments

The aforementioned provisions concerning Finance Committees do not apply for so-called ideological establishments. Ideological establishments include companies and establishments that predominantly pursue political, charitable, educational, scientific or artistic purposes (see Section 118 BetrVG). Examples are the German Red Cross (Deutsches Rotes Kreuz, DRK), nursery schools, Max Planck Institutes or labour unions.

§ Section 107 (3) BetrVG

The Works Council may decide … to assign the functions of the Finance Committee to a committee of the Works Council.

Alternative: WC Committee for Financial Matters

The Works Council has the option to assign the tasks of the FC to a Committee for Financial Matters. Advantage: In this way the maximum limit of 7 FC members can be circumvented. The reason being is that such a committee can be comprised of up to 22 members.

Practical tip:

Since the maximum number of FC members is limited to 7, local Works Councils are often unable to sufficiently promote their interests in financial matters. In this case, it would be beneficial to consider creating a Committee for Financial Matters.

An active, well-functioning Finance Committee can achieve a great deal!

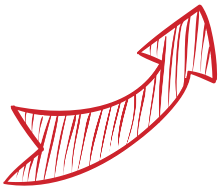
WHAT FINANCE COMMITTEE MEMBERS NEED TO KNOW

What qualifications are required of FC members?

The Works Constitution Act clearly states the FC members must have the necessary technical and personal qualifications for their functions. This does not only include basic business and economic knowledge, but also legal knowledge and communication skills. In order to obtain wide-ranging know-how, continuing education is a must. But are FC members actually entitled to receive further training?

§ Section 107 (1) BetrVG

... members should have the necessary technical and personal qualifications for their functions.



So is there a right to further training?

For Works Council members who also serve on the Finance Committee, the rules are very clear: They are entitled to further training in accordance with Section 37 (6) BetrVG. According to the predominant legal interpretation, Section 37 (6) can also be applied to FC members who do not serve on the Works Council and who, due to their educational background, have the appropriate technical and professional skills. After all, Finance Committee members often have to face highly qualified experts commissioned by the employer, who have acquired extensive business and economic knowledge from many years in the industry and business-related degrees.

What about long-standing FC members?

FC members with many years of experience are not excluded from training measures. To ensure that their knowledge is up-to-date, “old hands” are entitled to regular training. Or, speaking in legalese: “Even consecutive terms of office on the Finance Committee are not a sufficient criterion for establishing that training measures are no longer required.” (Hamm Higher Labour Court, 5/12/2008 – 10 TaBV 25/07)

Practical tip:

Take advantage of further training opportunities. Training courses help to create a uniform level of knowledge on the Finance Committee. And: stay ahead of the game. Continuously update your knowledge and expertise.

What else should I know about the right to further training?

There are many misconceptions about the right to further training for FC members. The tips below provide clarification for FC members who also serve on the Works Council:

› Does the employer have the right to prohibit training measures?
NO! The Works Council alone decides on the necessity of a workshop attendance (Federal Labour Court decision dated 9/10/1973 – 1 ABR 6/73). As per Section 37 (6) BetrVG, authorisation from the employer is not required. Therefore, a manager cannot prohibit FC members from attending a workshop.

› Is it sufficient for only 1 FC member to receive training?
NO! Training only 1 FC member and asking this member to share their newly gained knowledge with the other members is not sufficient. Each member is entitled to attend workshops and does not have to utilise self-study options or rely on being informed by other members (Federal Labour Court decision dated 15/5/1986 – DB, 2496).

› Is 1 workshop per year and member enough?
NO! FC members must receive a solid educational foundation in order to be able to solve complex issues in the company. Based on this, it becomes clear that one weekly workshop per member per year is generally not sufficient. Furthermore, FC members have an extensive information requirement that must continuously be updated and kept to the latest standards (Federal Labour Court decision dated 11/7/1972 – AP No. 1 1972).

Do you still have questions about the right to further training?

The legal experts of our free education hotline will be happy to assist you.

You can reach them at +49 (0) 88 41 61 12 711.

§ The latest rulings concerning continuing education

*At **www.ifb.de/wa**, you will find the latest rulings concerning Finance Committees and the right to further training directly under the respective workshop.*
Or just click on the "Hilfe & Unterstützung" heading. Here you can find an extensive collection of various rulings on the topic.

Practical tip:
Previous knowledge, such as commercial training or accounting experience, does not exclude the right to further training.

HOW TO BE A COMPETENT AND CONFIDENT MEMBER OF THE FINANCIAL COMMITTEE

What qualifications are required of FC members?
Whether business administration, legal knowledge or communication: FC members must possess a multitude of competencies.

Business and economic knowledge

In order to be able to discuss economic and operational measures with the employer on an equal footing, FC members naturally need to be familiar with financial statements and possess extensive knowledge in the areas of economics and finance.

Key figures
Personnel planning
Financial statements
Liquidity
Controlling
Financial planning
ROCE
Cash flow
EBIT
Management methods

Legal fundamentals

Finance Committee members must know exactly what their tasks and rights are. The reason being is that daily practice in the company may differ from legal requirements at times – often to the detriment of the Works Council and the employees. Therefore, the following applies even to experienced committees: A glance at the code of law clarifies the legal situation and helps safeguard employee interests.

Comprehensive information
Corporation
Organisation
Consent of the employer
Holding
Company
Determining the number of employees
Collaboration with the Works Council
Right to further training

Communication skills

The conversational situation in the Finance Committee is very different from that in the Works Council: The Finance Committee is purely an advisory body. Therefore, communication tools that are very different from those used on the Works Council are required here.

Conversational technique
Communication
Questioning technique
Confidence/poise
Argumentation
Quick-wittedness

Where do FC members acquire the required knowledge?

Being able to understand key figures, analyse annual financial statements, support the Works Council with current information on the economic situation or competently discuss business decisions with company management – the qualifications required of FC members are quite versatile. Therefore, it is very important for you to gradually build up your knowledge. Of course, this is best achieved by attending ifb workshops. From the basics of business management to real expert knowledge – we will take you from where you currently are on your Finance Committee journey to where you want to be.

Due to my work on the Finance Committee, I gain deeper insights into our company's economic position. Thanks to the ifb workshops, I am now better able to understand the presented information. This helps me prepare important figures, data and information which I subsequently supply to the Works Council so it can perform its work. As a result, the WC is able to swiftly react to future changes. Thanks to the knowledge gained at ifb, I am also able to discuss matters with company management on an equal footing. Of course this is much better than just looking at figures without understanding or only marginally understanding them. Therefore, I am constantly motivated to apply what I learned in my daily work on the Finance Committee."

Peter S., Deputy Chairman of the Works Council and Finance Committee member

Practical tip:

Work on the Finance Committee requires a wide variety of expertise. It therefore makes sense to assign tasks based on the strengths and talents of the respective members. Because one thing is clear: Good team work and smart task distribution make work on the FC much easier!

THE FINANCE COMMITTEE CAN ACHIEVE GREAT THINGS

What rights does the Finance Committee have?

The FC does not have any enforceable co-determination rights. However, it has a lot more opportunities for action than the Works Council or the Central Works Council. The reason is simple: The Finance Committee's role is to make an important contribution to identifying at the earliest possible time business management decisions which may negatively impact staff (Federal Labour Court decision dated 23/8/1989 – 7 ABR 39/88). Therefore, the employer must inform the FC of financial matters comprehensively and in good time. Only the Finance Committee enjoys this right – the Works Council and the Central Works Council are left out of the loop initially.

§ Section 106 (2) BetrVG

The employer shall inform the Finance Committee in full and in good time of the financial affairs … (and) demonstrate the implications for manpower planning.

What does "in good time" mean?

When the FC is informed in good time, it has access to important figures, data and facts at a much earlier date than the Works Council. This makes the Finance Committee a valuable early warning system for all other employee representative bodies. But what does "in good time" really mean? When exactly does the Finance Committee need to be informed? Experience shows that these two questions often lead to discussions and disagreements with the employer.

Why is "in good time" often sooner than one thinks?

Most often „in good time" is sooner than company management thinks it is.
There are two good reasons for this:

1. The FC must be able to discuss financial affairs with company management. To be able to do so, it needs sufficient time to prepare. Therefore, the FC must be informed of corporate plans and strategies at an early stage.

2. The FC must inform the WC of financial and economic matters. Afterwards, the Works Council must have enough time to exercise its participation rights.

The FC is entitled to a cornucopia of information, figures and data!

Practical tip

Get a significant knowledge head-start. Demand information from company management early on and make the Finance Committee into an important alarm system for the Works Council or the Central Works Council.

1 DEMONSTRATE COMPETENCE

2 TAKE ADVANTAGE OF YOUR RIGHT TO INFORMATION

3 ASK THE RIGHT QUESTIONS

Can the employer present the FC with faits accomplis?

The FC is only informed in good time if it is notified prior to the final decision on the matter by company management. Otherwise the Works Council – which is informed after the Finance Committee – would not be able to influence corporate plans. In good time therefore means the following:

- Before company management or the Executive Board makes business-related decisions
- Before concrete operational measures are initiated
- Before FC meetings are convened to ensure that the Finance Committee is able to present its opinion on the matter to the employer at the meeting.

Or, in other words: The employer may not present the Finance Committee with faits accomplis.
The FC must be kept informed at all times – not only after measures have already been decided or even implemented. Only this way it can be ensured that the FC:

- is aware of the future development of the company in good time
- can foresee financial risks and opportunities in good time
- can identify threats to employee interests in good time
- can inform the Works Council or the Central Works Council about corporate measures in good time
- can develop its own, employee-friendly alternatives in good time

§ Section 121 (1) BetrVG

The requirement of timeliness is enforced by the penal provision provided in Section 121 (1) BetrVG. Late notification constitutes a minor offence and as such may be punished by a fine not exceeding EUR 10,000.

Practical tip:

If there is disagreement about whether information about the financial affairs of the company was provided in full and in good time, the Works Council may call in a Conciliation Committee in accordance with Section 109 BetrVG.

HOW TO MAKE BEST USE OF THE FC'S INFORMATION RIGHTS

How does the FC get access to important company information?

The FC must be informed about corporate plans not only in good time, but also comprehensively. Nevertheless, the executive floor can be a bit reluctant when it comes to voluntarily providing important company information. How do we fix this? Section 106 (3) BetrVG provides the answer here. It's the key to making optimum use of the Finance Committee's information rights. For more information, take a look at the BetrVG excepts below. In item 10 the law states that "any other circumstances and projects that may materially affect the interests of the employees of the company" are considered financial matters. This opens up opportunities to demand further information. You "just" need a good reason.

§ **Law: Section 106 (3) BetrVG**

The following, inter alia, are financial matters covered by this provision:

1. *the economic and financial situation of the company;*
2. *the production and marketing situation;*
3. *the production and investment programmes;*
4. *rationalisation plans;*
5. *production techniques and work methods, especially the introduction of new work methods;*

5a. *issues concerning the establishment's environmental policy;*

6. *the reduction of operations in or closure of establishments or parts of establishments;*
7. *the transfer of establishments or parts of establishments;*
8. *the amalgamation or split-up of establishments or parts of establishments;*
9. *changes in the organisation or objectives of establishments;*

9a. *the takeover of the company, if control is thereby obtained, and*

10. *any other circumstances and projects that may materially affect the interests of the employees of the company.*

What is meant by "other circumstances and projects"?

From mergers with other companies and the relocation of production to expenses for the staff canteen or company nursery: "Other circumstances and projects" include all business-related issues that may affect the interests of the employees of the company. Here are some typical examples:

Other financial matters

- *Staff canteens, company housing, sports fields, nurseries and recreation homes*
- *Establishment of a foundation*
- *Transfer of the company to another owner (in accordance with Section 613 a of the German Civil Code (Bürgerliches Gesetzbuch, BGB))*
- *Relocation of production*
- *Collaboration with other companies within and outside of the organisation*

Which documents can the FC demand?

Based on the FC's information rights, there are a multitude of necessary documents that can be requested by the FC. The area of Business Accounting in particular is a real goldmine for FC members. The following checklist should help you ask the right questions and gain access to important figures, data and facts:

The FC should definitely request the following documents:

- ☑ Corporate income statements
- ☑ Cost distribution sheets
- ☑ Long-term, medium-term and short-term corporate planning
- ☑ Forecast
- ☑ Annual financial statements
- ☑ Auditor's report
- ☑ Cost accounting, cost unit accounting and cost centre accounting
- ☑ Controller reports
- ☑ Target/actual comparison
- ☑ Financial, sales, production and personnel planning
- ☑ Business Plan

§ Section 106 (2) BetrVG

The employer shall inform the Finance Committee … and supply the relevant documentation …

Practical tip:

The FC's information rights are very extensive. Make full use of all the opportunities provided under Section 106 (3) BetrVG in the area of Financial Accounting.

Good to know:

HOW TO MAKE THE MOST OF THE LEGAL POSSIBILITIES

You can find even more useful facts about your right to information under ***www.betriebsrat.de***. Just click on the "Wirtschaftsausschuss" [Finance Committee] heading and find out how to best make use of the legal possibilities.

7 STEPS TO A SUCCESSFUL FINANCE COMMITTEE

What is important for a well-functioning Finance Committee?
On the Finance Committee, organisation is everything! No matter if you are a seasoned member or brand new: With the following 7 steps, you can lay the foundation for a successful and well-functioning Finance Committee.

- ☑ **1. Define goals**
- ☑ **2. Properly distribute tasks**
- ☑ **3. Create rules of procedure**
- ☑ **4. Define minute-taking responsibilities**
- ☑ **5. Set up meetings with company management**
- ☑ **6. Confidently hold FC meetings**
- ☑ **7. Provide information to the WC or the CWC**

www.betriebsrat.de

Here you can find a helpful template for your rules of procedure. Just click on the "Wirtschaftsausschuss" [Finance Committee] heading and conveniently download the form.

Step 1: Define goals

If you don‘t know where you want to go, you can‘t get there. Therefore, you should set goals for your work on the FC. Think about what you hope to achieve on the committee. Keep in mind that the Finance Committee supports the Works Council/Central Works Council. Make sure that everyone is on the same page and your goals fit together.

Practical tip:

Inquire about the (Central) Works Council‘s overall strategy and precisely align your goals.

Step 2: Properly distribute tasks

Create a list with all tasks that need to be performed by the Finance Committee. Here, it is important that you do not only consider the specifications of the Works Constitution Act but also your own goals. Then ask yourself: Who does what? Distribute tasks based on the individual strengths and preferences of the respective FC members. This will help keep everyone engaged and ensures that you make the best use of the available resources. In addition, a clear division of responsibilities facilitates communication and the targeted professional development of the individual Finance Committee members.

Practical tip:

Potential role distribution in the FC:

- Finance Committee spokesperson
- Minute keeper
- Subject matter experts who perform certain tasks or deal with specific subject areas

Step 3: Create rules of procedure

The Finance Committee is not required to establish rules of procedure. However, work is a lot easier if all members come to an agreement and establish common provisions.

Practical tip:

Define rules of procedure with clear committee rules – this prevents misunderstandings and tremendously facilitates daily work.

Step 4 to 5

Step 4: Define minute-taking responsibilities

Decide whether you want to keep minutes. The Finance Committee is not required to do so by law, but it is highly recommended. Action minutes, discussion minutes or verbatim minutes – agree on which format you want to use for your records. Also decide on who will get meeting minutes, e.g. meeting participants, the Works Councils or company management.

Practical tip:

Minutes have two benefits:

- They serve as a memory aid for FC members and enable the FC to document its work.
- For the Works Council, the minutes not only provide a compact source of information, but also serve as an important argumentation aid in discussions with the employer. One more important piece of advice: The FC spokesperson should not be the minute-keeper. This would create too much of a distraction from the discussion with the employer.

Step 5: Set up meetings with company management

Determine how often the Finance Committee should meet with company management. The Works Constitution Act (Section 108 (1) BetrVG) suggests once per month. However, in practice these meetings often only take place every other month or once per quarter. If a regulation from the previous term is in place, you should check whether this regulation still makes sense and is compatible with your tasks and goals. Communicate your suggested number of annual meetings to company management and set up concrete dates as early as possible.

Practical tip:

Check whether the dates selected for meetings with company management really make sense. For example, only schedule meetings after the monthly report has been completed. Generally, the monthly earnings statement is prepared during the first few calendar days of the following month. Therefore, you should not schedule any meetings until the middle of the month.

Step 6 to 7

Step 6: Confidently hold FC meetings

FC meetings are your chance to obtain as much information as possible about the current position and future plans of the company. Make sure you are well prepared. And: Skilfully chairing the meeting and leading discussions ensures that all of your questions are sufficiently answered.

Practical tip:

Who is invited? Who distributes the agenda? Good organisation lays the groundwork for a successful Finance Committee meeting. And: Carefully consider who should have what roles/responsibilities during the meeting. The right conversation technique more often than not determines whether your discussions with company management are successful.

Step 7: Provide information/updates to the Works Council or the Central Works Council

Section 108 (4) BetrVG states: "The Finance Committee shall without delay give a full report on each meeting to the Works Council." But when and how should the Works Council be informed? Together with your WC colleagues, determine what exactly this formulation means.

Practical tip:

Clarify what is meant by „without delay" and „fully" with the WC:

- In accordance with Section 121 BGB, „without delay" does not necessarily mean „immediately". Come to an agreement on whether the Works Council should receive a report on the discussions with the employer immediately after the meeting, the next day or at the next WC meeting.
- Also discuss in what form the information should be provided to the WC colleagues: How should figures, data and facts be prepared? With commentary/recommendations or without?

PARTICULARLY IMPORTANT: FINANCIAL STATEMENTS, BALANCE SHEETS AND THE LIKE

Why does the FC need to keep a close eye on corporate financials?

From accounting to zero balance check – in your company everything depends on and revolves around money. Therefore, it is extremely important that the Finance Committee analyses and pays close attention to company data so that it can identify financial risks early on and avert disadvantages for employees in collaboration with the Works Council.

§ **The following can be derived from Section 79 BetrVG:**

With respect to all information, data and figures presented by the employer to the FC, the following applies: Members of the Finance Committee are subject to the confidentiality obligation set out in Section 79 BetrVG. However, said confidentiality obligation does not apply vis-à-vis the Works Council.

From an operational perspective, what is necessary and what isn't?

Operational changes, the implementation of new work methods, job cuts and rationalisation measures – what is necessary and what isn't for operational reasons? Usually company management has a different view of the situation than the employees. Without a Finance Committee, employees and the Works Council would have the cards stacked against them. It is your responsibility to:

- independently assess the financial situation of the company without taking the input provided by equity providers/shareholders into account
- carefully examine the financial data of the company
- identify financial alarm signals early on
- immediately inform the Works Council of any financial risks for the company and potential consequences for the employees
- discuss planned management decisions with company management on an equal footing
- submit proposals to company management and substantiate your ideas with good arguments and well-founded numbers

What is included in the annual financial statements?

Depending on the size of the company, the annual financial statements are comprised of the balance sheet, the income statement and (where applicable) the notes and the management report. In addition to the annual financial statements, the auditor's report must also be submitted to the FC.

Practical tip:

The Finance Committee does not have to quietly accept incomprehensible balance sheets and earnings statements. What's more: You have the right to critically examine numbers and strategies in order to safeguard the interest of the employees and the competitiveness of the company. In case of doubt, you may consult external experts.

Practical tip:

We will discuss your financial statements in the workshop. Therefore, you don't have to dig around yourself and can get started directly with your own corporate figures. More details are available online under www.ifb.de. Just click on the "Wirtschafts-ausschuss" [Finance Committee] heading and explore the extensive range of information provided.

What does the annual balance sheet reveal?

The annual balance sheet is the most important source of information for the Finance Committee. Lawmakers agree: In accordance with Section 108 (5) BetrVG, the employer must explain the annual balance sheet to the Finance Committee and the Works Council. Afterwards, FC members and the (Central) Works Council have the right to ask questions. In addition, stakeholders are also allowed to keep records and notes.

§ Section 108 (5) BetrVG

The annual balance sheet shall be explained to the Finance Committee in conjunction with the Works Council.

How can you gain timely access to information from the annual balance sheet?

The earlier you are able to review balance sheet figures, data and facts, the more you can accomplish as a Finance Committee member. Most companies prepare their annual balance sheet as at 31 December. However, result forecasts are available earlier than that. You should systematically request this information from the employer.

What does the FC need to know with respect to the annual balance sheet?

Analysing the annual balance sheet is one of the most important tasks of the FC.
There will be some challenges. The Finance Committee must:

- correctly evaluate the annual balance sheet and understand all figures, data and facts
- (where applicable) compare information/explanations contained in the annual balance sheet to its own interpretation of the company's situation
- support the WC in correctly assessing the company's situation
- support the WC in preparing a list of questions in order to ensure that all important financial data is presented by the employer

The work performed by the FC provides background knowledge and thus brings transparency to the financial situation for the FC and WC with respect to company decisions. We practically have our fingers on the pulse of the company or obtain the information required to feel it."

Jürgen A., FC member

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Good to know:

CREATE AN INDICATOR SYSTEM

Contained in the company data is a wealth of information that could be important to the FC. Creating an indicator system on the basis of the annual balance sheet is therefore recommended. This allows you to filter out information that is actually of importance to the Finance Committee and then derive your own business appraisal.

THE FINANCE COMMITTEE – A WIN-WIN FOR EVERYONE IN THE COMPANY!

Where is your company headed?

The annual balance sheet contains important information from your company's past. But what does the future look like? What risks and opportunities are there? Are your colleague's jobs really secure? In order to be able to answer these questions in good time, you should take a close look at the future plans of the company. The following documents provide important insights:

- Forecast
- Planning (financial, sales, production and personnel planning)
- Target/actual comparison
- Corporate objectives
- Business plan
- Risk report
- Corporate strategy
- Marketing strategy

How can you take an active part in determining where your company is headed?

Your company's future is even more important than its past. The past can't be changed, but in the future you can play a significant role in directly influencing your company's direction. This is true because the Finance Committee is also entitled to obtain comprehensive information about the company's future plans and strategies. Take advantage of this opportunity. Don't just dig in the past. And don't just look at numbers that are water under the bridge. Instead, set your sights to the future. Make full use of all the opportunities provided to the Finance Committee and take part in actively shaping your company's future!

Practical tip:

When the Works Council, Finance Committee and company management are able to pull together, so much more can be achieved than with cuts and downsizing alone. Therefore: Make sure your Finance Committee is active and well-informed. No doubt this will pay off for everyone in the company!

Practical tip:

Take advantage of your information rights under Section 106 (3) BetrVG and systematically ask about your company's plans and strategies. This is important because the future of each individual employee depends upon the future of your company.

What does the Finance Committee do?

The Finance Committee provides information to and advises the Works Council in financial and economic matters.

- Provision of important data, figures and facts on the actual economic situation of the company
- Setup of an effective early warning system for corporate crises
- Identification of the real causes of economic and financial problems and implementation of effective countermeasures
- Development of argumentation aids for the WC with respect to the economic necessity of planed corporate measures
- Technical discussions about economic and financial issues with company management on an equal footing
- Development of employee-friendly alternatives in the event of restructuring, operational changes and spin-offs
- Saving threatened jobs by creating timely job protection measures

An active, well-informed Finance Committee is a win-win for everyone in the company. This is true because the Finance Committee's involvement makes an important contribution to securing co-determination rights within the organisation, the future of the company and the jobs of employees.

The work performed by the FC is a valuable tool for the Works Council. On the one hand, it is important for the FC to clean and prepare the oftentimes overly complicated company data and make it more comprehensible for the WC. On the other hand, it is essential to establish a trusting relationship between the FC and company management. If the FC manages to convince company management that working with the FC is a win-win situation, the collaboration between company management and the Works Council will also improve. My personal experience has shown that the FC receives more comprehensive information from company management if this is the case, and also gets this information much more quickly. That pays off: Thanks to the work performed by the FC, the WC was able to convince company management to take back previously implemented cutbacks in Christmas bonuses and holiday pay – spread out over the course of the year, through adjustments to the monthly compensation."

Björn J., Works Council Chairman and Finance Committee member

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Please note:
For improved readability, individuals are sometimes referred to in this document using solely the masculine or feminine form. In such instances, all pronouns are understood to refer equally to both men and women.

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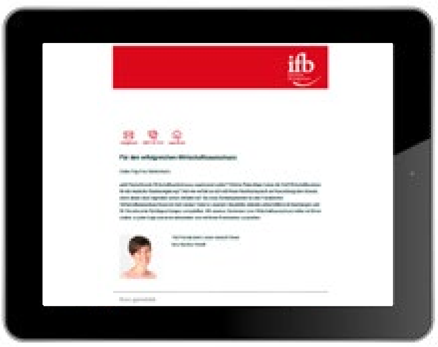

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