



EDF European Works Council

24, 30 Avenue de Wagram
75008 Paris

Tel : + 33.1.40.42.41.30 - Fax : + 33.1.40.42.41.35

Opinion of the EWC on the planned disposal of UK Networks

EWC members have been informed of and have read the documents regarding the planned disposal of the distribution networks in the United Kingdom.

At the time of British Energy's acquisition a little over a year ago, EDF Group's industrial and corporate project in the UK signalled a will for vertical integration, since it was, in your own words, Mr. de Rivaz, the only "*business model that works*". This planned disposal is therefore challenging the integrated model, even though this group from a coherent whole, constitutes a vector of corporate image, fosters synergies and is generally meaningful for the employees.

From a financial perspective:

- The Regulated Networks business does not intrinsically represent any financial "burden" for EDF Energy. In fact, it generates steady revenue with secure growth, delivers cashflows to self-finance the capital expenditures, and therefore constitutes a factor of stability. This transaction challenges this stability of the Group's earnings, with the documents mentioning an estimated 25% increase in the volatility of EDF Energy's future earnings.
- This transaction will not in any way contribute to deleverage EDF Group's debt position in the mid- or long term: indeed, it will not significantly reduce the debt/Ebitda ratio of EDF Group, but will simply lead to a lesser increase in this indicator of the Group's financial independence.

From a labour perspective:

- Around 5,300 employees would be transferred to the new owner. Only a few of them are covered under the British TUPE law, while most of them are not. The commitments made by the potential buyer are very modest, since the CKI Consortium is restricting its commitment to maintain existing employment conditions to a period of 12 months only. Beyond these 12 months, no commitment is made, including on maintaining employment for all employees.
- We also wonder about the future of the staff employed at central and corporate functions whose job activity is partially linked to the Networks. There again, we simply cannot be satisfied with the commitments made by EDF Energy!! While EDF Energy commits to follow a policy of individual development and professional training to support the career path and redeployment of affected employees, no commitment is however made on maintaining the employment level in the future.
We therefore demand that no redundancy whatsoever take place.
Similarly for pension plans: no guarantee is provided for the EEPS pension fund, which is unacceptable.
- Employees remaining within EDF Energy after the disposal will be in a more vulnerable position than they currently are under the company's present configuration. In the absence of the stability delivered by the Networks business, the company will be entirely subject to

the volatility of the energy market, which in turn means that its viability and therefore its employees' jobs will be less secure.

- In addition, Cheung Kong's commitments provide no details about the rights of workers to information and consultation in the UK; in particular, regarding the possibility of influencing the decisions taken by central management (as is the case today via the EDF EWC body). CKI also fails to mention whether or not they are prepared to negotiate a CSR agreement with trade unions in the United Kingdom and elsewhere. Workers in the UK would therefore be losing out on their rights to protection, information and consultation.

More generally, EWC members question EDF Group's industrial strategy that remains blurred, if not opaque. EDF Group fails to convince the personnel that its strategic goals are adequately thought out, and that the future of the UK networks will be secured and in good hands after this sale transaction.

Workers continue to be used as an adjustment variable and to pay for hazardous acquisitions – like in the USA –, risky moves that we in fact denounced as such at the time.

Group companies are being sold out on the basis of short-term opportunities, for financial motives rather than for reasons of necessity or strategy. Today, none of EDF Group's employees can feel confident or feel any assurance that their company will not be sacrificed, regardless of the fact that it may be well managed or enjoy a recognised status in the industry.

Lastly, we wish to point out that the information supplied regarding the protection of employees' rights and benefits is insufficient.

For all of the above reasons, the EDF EWC thereby issues a negative opinion against this disposal.

Voted unanimously
3 September 2010