

**Caradon Plumbing Limited**

**CARADON EUROPEAN FORUM  
AGREEMENT**

**4 July 2006**

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## **1. AIM AND SCOPE OF AGREEMENT**

1.1 This agreement and the associated memorandum of understanding defines the scope, role, membership and operation of the Caradon European Forum (CEF). It establishes an operating framework which governs the CEF and which fulfils Caradon's obligations in the EU Directive 94/45/EC (as amended by 97/74/EC) on "The establishment of a European Works Council in Community-Scale Undertakings and Community-Scale Groups of Undertakings for the purposes of Informing and Consulting employees" ("the Directive"). It is the intention and belief of the parties that it fully meets all the requirements of the Directive.

1.2 It is entered into in a spirit of cooperation by the management and representatives of employees of the European operating companies which, for the purposes of the Directive, are controlled or influenced by Caradon within the European Union (EU) or Economic Area (EEA). Employees of Caradon operations in each participating country may express a wish not to participate in the Caradon European Forum. Where national law permits, the employees of such operations may elect to be represented by another country's representative if no employee representative is appointed.

The Parties to the agreement are;

Caradon Plumbing Limited whose registered office is 69 – 75 Side, Newcastle upon Tyne NE1 3JE ("Caradon") and the current and future Employee Representatives of the Caradon European Forum.

1.3 The CEF will be informed in a timely manner and consulted about those issues which concern Caradon Operations in Europe as defined in 2.1 below as a whole or which have a considerable effect on the interests of employees in at least two Caradon Operations in Europe situated in different countries ("transnational issues"). If Caradon commences operations in a new country in Europe, and this has a considerable impact on at least one

existing Caradon operation situated in another country in Europe, this will be considered to be a transnational issue.

The members of the CEF are committed to acting in the best interests of Caradon and its employees.

## **2. CARADON OPERATIONS COVERED**

2.1 This agreement covers the entire workforce in all Caradon operations in the European Union (EU) and Economic Area (EEA).

2.2 A Caradon Operation in Europe is considered to be one in which Caradon can exercise a predominant influence because Caradon;

- a) can appoint more than half of the members of the executive, managerial or supervisory body of the company;
- b) possesses the majority of votes attributed to shares issued by the company, or;
- c) possesses the majority of the company's subscribed capital.

This paragraph should be read in conjunction with point two of the Associated Memorandum of Understanding.

## **3. PROCESS FOR CHANGE IN EMPLOYEE REPRESENTATION**

3.1 The employee headcount within the countries covered by this agreement as at 31<sup>st</sup> December each year shall be reported to the next CEF meeting following on from the 31<sup>st</sup> December and will be the basis for the calculation of employee representation.

### **Manpower changes within existing groups and sites**

3.2 Any increase in entitlement to employee representation as a result of manpower changes in existing groups and sites within a member state

covered by this agreement will be based upon increases in headcount over the final two years in any four year term of office and will only be implemented at the start of any new four year term of office for Employee Representatives.

3.3 Any decrease in entitlement to employee representation as a result of manpower changes in existing groups and sites within a member state covered by this agreement will be based upon decreases in headcount over the final two years in any four year term of office and will be implemented at the start of any new four year term of office for Employee Representatives, save for where such decrease results in no entitlement to representation, when it shall be implemented immediately.

#### **Acquisition and establishment in existing CEF member states**

3.4 Where Caradon acquires or establishes new operations within member states with existing CEF representation, such operations shall be represented by the existing employee representation from the date of establishment or acquisition.

3.5 Where such acquisition or establishment results in a member state being entitled to additional employee representation, the selection process will be in accordance with the applicable national law and consistent with the terms of this agreement and shall be undertaken so as to ensure participation at the next CEF meeting following inclusion in the annual employee headcount.

#### **Acquisition and establishment in new CEF member states**

3.6 To ensure the effective operation of the CEF, where Caradon acquires or establishes new operations in EU and EEA countries without CEF representation, such operations shall come into scope of the CEF at the first CEF meeting following inclusion in the annual employee headcount. The selection process will be in accordance with the applicable national law and consistent with the terms of this agreement.

## **Acquisition of business with pre-existing agreement under Council Directive 94/45/EC**

3.7 To ensure the continuity of the CEF, where the company acquires a business that has a pre-existing agreement under council directive 94/45/EC, any rights or obligations awarded by such other agreement will cease upon the date of acquisition.

3.8 All employees in such acquired companies will be automatically covered by this CEF agreement.

3.9 Attendance at any CEF meeting by CEF Employee Representatives appointed or elected from newly acquired companies automatically assumes acceptance of all the terms and conditions of the CEF agreement and repudiation of the terms and conditions as may have existed under other agreements.

3.10 The employee representative co-ordinators will ensure in cooperation with the Company the effective integration of and respect for employees from newly acquired companies into the CEF.

## **4. ROLE OF THE CARADON EUROPEAN FORUM**

4.1 The CEF is a joint forum which comprises representatives of Caradon and employees of Caradon Operations in Europe.

4.2 Caradon will provide information and consultation on transnational issues as they relate to the performance and prospects of Caradon Operations in Europe. They will encourage the exchange of views and the establishment of dialogue between the Company and Employee Representatives on these subjects.

4.3 In accordance with the Transnational Information and Consultation of Employees Regulations (TICE) 1999, CEF meetings will cover the provision

of information on transnational issues concerning the structure, economic and financial situation, the probable development of the business and of production and sales, the situation and probable trend of employment, investments and substantial changes concerning organisation, introduction of new working methods or production processes, transfers of production, mergers, cut-backs or closures of undertakings, establishments or important parts thereof, and collective redundancies. The CEF may also consider transnational environmental and health and safety issues likely to have a significant effect on Caradon Operations in Europe.

4.4 The CEF neither replaces, nor duplicates, nor supersedes in any way the established procedures for informing and consulting employees and/or their representatives at other appropriate levels in Caradon Operations in Europe. Issues applicable for discussion at another, and more appropriate, level in Caradon will not be unnecessarily duplicated at the CEF. (See 1.3). Information supplied to the CEF shall not be greater than or supplied prior to existing local structures

## **5. MEMBERSHIP OF THE CARADON EUROPEAN FORUM**

### **CARADON**

5.1 The CEF will be chaired by a Main Board Director of Caradon. This will normally be the Group Chief Executive. The Group Chief Executive will be accompanied by appropriate members of senior management.

5.2 Caradon will appoint a secretary to the CEF.

### **REPRESENTATIVES OF EMPLOYEES**

5.3 There will be one representative of employees from each country in which Caradon Operations in Europe employ 50 or more people. Additional representatives of employees will be designated from countries in line with the following schedule;

- One additional representative from a Member State in which there are employed 20 per cent or more but less than 50 per cent of the employees of the total number of Caradon employees within Europe.
- Two additional representatives from a Member State in which there are employed 50 per cent or more but less than 75 per cent of the employees of the total number of Caradon employees within Europe.
- Three additional representatives from a Member State in which there are employed 75 per cent or more of the employees of the total number of Caradon employees within Europe.

For the purposes of the schedule above Caradon employees will be counted in accordance with national laws and practices. Notwithstanding this, part-time workers will be counted as “whole” employees.

5.4 In line with the above schedule, the current total number of representatives of employees on the CEF will be 5, split by country in the following manner;

Belgium	1
The Netherlands	1
United Kingdom	3

5.5 Representatives of employees must be permanent employees and have at least one years service in a Caradon Operation. They will be nominated and/or selected from the body of permanent employees of Caradon Operations in Europe according to national law, custom and practice in a manner which ensures that they are representative of the total workforce within the constituency.

## **EMPLOYEE REPRESENTATIVES CO-ORDINATORS**

5.6 The Employee Representatives shall appoint at the first CEF meeting two Co-ordinators. It is agreed that the two co-ordinators will come from different countries.

5.7 The two Co-ordinators will be responsible for the co-ordination of the employee representative group and liaison with the Company over the operation of the CEF. They will agree the agenda, the record of the meeting and the summary brief for more general communication. They will also play a role where additional meetings are required and in defining training requirements for CEF members. The role of the Co-ordinators is limited to those tasks described in this agreement.

5.8 The Employee Representatives may appoint an expert to advise and assist both the Co-ordinators and the full group of Employee Representatives. Relevant experts may be invited by the Chairman to attend full meetings of the CEF for specific agenda items. A request by the Co-ordinators for the attendance of an expert at a full meeting of the CEF will be made to the Chairman in sufficient time for an invitation to be extended and accepted. Any request for the attendance of an expert to a CEF meeting will not be unreasonably made or denied (this should read in conjunction with point three of the Memorandum of Understanding).

## **6. OPERATION OF THE CARADON EUROPEAN FORUM**

### **TERMS OF OFFICE**

6.1 The normal terms of office for Employee Representatives will be four years or such other term as is specified in national law.

6.2 CEF members must make every attempt to participate in meetings. The Chairman will use best endeavours to ensure that meeting dates are co-ordinated to ensure maximum participation. Where a member state has only

one representative, a substitute shall be appointed who shall participate in meetings of the CEF in the absence of the official employee representative.

6.3 In the event of an employee representative leaving Caradon or resigning from the CEF before completing their term of office, a new representative will be appointed for the remainder of the term of office under the procedures specified in this agreement. This will also apply where an employee representative is empowered by a local works council or other recognised body and either resigns from it or is not re-elected to it as a local representative in the relevant social election. In those member states with a substitute, the substitute will automatically become the employee representative.

#### **OPERATION OF CEF MEETINGS**

6.4 Caradon will convene a CEF meeting following the announcement of the annual results. This meeting will normally take place over a two day period. The first day will comprise incoming travel and an employee pre-meeting. The second day will comprise the joint meeting of the CEF and onward travel. If time permits, and without detracting from the proper functioning of the joint meeting of the CEF, the representatives of employees may hold a short review meeting on their own immediately after and on the same day as the CEF meeting.

6.5 Caradon will convene a second CEF meeting midway between the annual results meetings. The Employee Representative Coordinators and Management Secretary will liaise over the meeting arrangements, such meetings will wherever possible be undertaken using video conferencing facilities. Such meetings will include appropriate time for Employee Representatives to discuss issues on their own, both before and after the joint discussion with management. This secondary meeting is subject to review, following the third such meeting the parties will review whether it is appropriate for them to continue.

6.6 During the course of the year, outside of the two CEF meetings management will use the established mechanisms for information and consultation purposes. Caradon will inform the Co-ordinators in the case of exceptional circumstances which may have a considerable effect on the interests of employees in Caradon Operations in at least two different European countries, in particular in case of transfers, closures or collective redundancies. Where agreed, an extraordinary CEF meeting will take place as soon as possible using video conferencing facilities or other arrangements as may be agreed between the parties. Ordinarily participation shall include the two Employee Co-ordinators and those CEF Employee Representatives from the countries directly affected.

6.7 After an exceptional meeting, a report of the meeting will be given at the next full CEF meeting.

6.8 Caradon will determine & bear the costs of all travel, accommodation, translation and interpretation associated with CEF meetings, training programmes and the reasonable travel and subsistence expenses of one expert adviser to the Employee Representatives. The parties are agreed that in line with Caradon operating practise appropriate use will be made of video conferencing and conference calls to facilitate communication.

6.9 Appropriate access will be provided to telephone, video conferencing and fax and e-mail facilities. CEF Employee Representatives have the right to meet with relevant Employee Representatives of businesses in their country whom they represent on the CEF. No expenditure may be committed without the prior agreement of the Chairman.

6.10 Employee Representatives will not suffer financial loss as a result of attending meetings of the CEF.

## **LANGUAGE**

6.11 Meetings will be conducted in English. Where possible and based on need, there will be Interpretation provided at CEF meetings to those

Employee Representatives who are unable to communicate in English. The parties are agreed that conference interpretation is unnecessary at the commencement of this agreement. The parties are further agreed that they will keep this under review.

## **VENUE, AGENDA AND NOTES**

6.12 The venue for meetings of the CEF will normally be at one of the Caradon business locations unless agreed otherwise between the Chairman and the Co-ordinators. Similarly, CEF Employee Representatives will use the video conferencing facilities at their employing company to participate in CEF meetings which utilise video conferencing.

6.13 Eight weeks prior to the meeting, the Management Secretary will request the submission of agenda items from all Employee Representatives. The deadline for submission of agenda items will be six weeks prior to the meeting. Four weeks prior to the meeting, the Management Secretary will issue an agenda and any appropriate papers which have been agreed. Where important issues arise at short notice prior to the meeting, these will be admitted for discussion under "any other business".

6.14 Within two weeks of the meeting the Management Secretary will circulate a draft summary and a draft record of the meeting to co-ordinators. The Co-ordinators will submit any comments within two weeks of receipt of the draft documents. The final, and agreed, documents will be published in English within a further two weeks. Interpretation will be arranged by local management.

## **7. TRAINING**

7.1 In order to ensure the effective working of the CEF, at the start of every four year term of office for Employee Representatives there will be a joint two day training programme made available to all CEF members. Caradon and the Co-ordinators will decide on the appropriate on going transnational

training programme. Further, it is agreed that by prior agreement on the content, part of the training programme may be attended by Employee Representatives only.

## **8. PROTECTION OF EMPLOYEES**

8.1 Employee Representatives in the exercise of their function under this agreement are entitled to the same protection and guarantees provided for Employee Representatives by the national legislation in their country of employment. Employee Representatives will suffer no advantage or disadvantage as a result of their participation in the CEF.

## **9. CONFIDENTIALITY**

9.1 Caradon will not divulge to members of the CEF any information which is regarded as confidential when its nature is such that, according to objective criteria, it would seriously harm the functioning or performance of Caradon Operations in Europe or would be prejudicial to them or where such disclosure would be in breach of statutory or regulatory rules.

9.2 The members of the CEF will maintain the security of all information identified as sensitive. Where an individual or group of employees do not wish to be party to the receipt of sensitive information, they may leave the meeting for the duration of the discussion of these matters.

9.3 All other information which is made available at the CEF is suitable for onward communication to Caradon employees.

9.4 Confidentiality remains binding even after such time as an individual ceases to be a member of the CEF or an employee of a Caradon Operation.

9.5 Any breach in confidentiality will be dealt with in line with the national laws and practices of the country of employment of the individual involved. It

being understood that where proven the individual concerned shall have no further part in the proceedings of the CEF.

9.6 Under no circumstances will members of the CEF communicate any matter concerning CEF meetings to the press or other similar outside agency without the prior agreement of the Chairman of the CEF.

## **10. DURATION OF AGREEMENT**

10.1 This agreement will continue in force until five years after the date of signing. Both parties have the right to give notice of termination of this agreement up to 6 months before its expiry. The agreement however will always remain in force until the end of a 5 year period. In the absence of such termination the agreement shall be extended automatically for a term of 5 years.

10.2 Termination of the agreement by the representatives of employees will require a vote of at least two thirds of the full employee representative members of the CEF.

10.3 Following termination, both parties shall have one year to reach a new agreement. The present agreement shall remain effective during these negotiations.

10.4 If a new agreement has not been reached after one year of negotiation, the CEF shall cease to function and a new forum shall be established in line with the subsidiary requirements of TICE 1999.

10.5 Notwithstanding the above, the CEF will periodically review the practical functioning of the agreement and make changes to it by joint consent.

## **11. LEGAL BASIS FOR THE AGREEMENT**

11.1 The agreement is governed by the laws of England.

11.2 Any dispute, controversy or claim arising out of or relating to this agreement, or the breach, termination or invalidity thereof, will be subject to the jurisdiction of the appropriate English courts.

11.3 In the case of a dispute arising regarding the interpretation of this agreement, the parties recognise that the English language version of the agreement shall be applicable.

## **MEMORANDUM OF UNDERSTANDING**

### **1. CONSULTATION**

Caradon appreciate the views of it's Employee Representatives as a valuable contribution to the successful management of the Company. The EU Directive defines consultation as the exchange of views and establishment of dialogue between Employee Representatives and central management.

### **2. JOINT VENTURES**

There are currently no Joint Ventures in Caradon Operations in Europe. Should Caradon establish a Joint Venture in Europe at some point in the future where Caradon has the dominant influence or can effectively determine policy and where the employees are not already party to a European forum, this company will be considered to be one to which this agreement is applicable provided that this can be achieved within the terms of the Joint Venture.

### **3. EXPERTS**

Experts may participate in joint meetings of the CEF by invitation of the Chairman and that invitations will not be unreasonably refused. Examples of the reasons where a request could be denied are where there exists a potential conflict of interests (an existing adviser to a Caradon competitor) or where the nominated expert has been an employee of the company with an unsatisfactory employment record. In the event that a particular individual is not acceptable to Caradon, the Co-ordinators may select an alternative expert.

### **4. TRANSNATIONAL REDUNDANCIES**

A transnational Collective Redundancy is one where a decision triggers the national definition of a collective redundancy in at least two countries covered by the agreement.

**5. CARADON REPRESENTATIVES**

Caradon Management Representatives at meetings of the CEF will not outnumber the representatives of employees eligible to attend CEF meetings.

**6. GENDER BALANCE**

The parties to this agreement support the principle that the make up of the CEF should reflect the gender balance of the workforce of Caradon Operations in Europe.

**SIGNATURES**

Signed on 4 July 2006

For Caradon Plumbing Limited

For the SNB

\_\_\_\_\_

Devin Stoney

W. Hanrahan

B. R. Lewis

[Signature]

M. A. O'Leary

[Signature]