

AGREEMENT on the establishment of the EATON EUROPEAN FORUM

BETWEEN

1. The **Special Negotiating Body** representing the employees of the Eaton companies in the European Economic Area,

and

www.euro-br.eu

2. **EATON BV** a private limited liability company duly incorporated and existing under the laws of the Netherlands with its seat at: Boeing Avenue 11, 1119 PC Schiphol-Rijk, the Netherlands, entered into the business register of the Amsterdam Chamber of Commerce and Industry under number 33296220, designated by EATON CORPORATION, a US corporation having its principal offices at Eaton Center, Cleveland, Ohio 44114, USA (hereinafter referred to as "EATON"), to act as its representative agent in the framework of the EU directive on European Works Councils (94/45/EC) in the European Economic Area (hereinafter referred to as the "Representative Agent").

(both parties being collectively referred to as the "Parties")

Whereas,

Parties believe that they have a common interest in sharing a proper understanding of the current status and future progress of EATON's business;

Parties want to work together in a spirit of good cooperation;

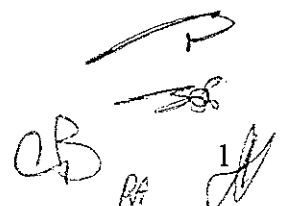
Parties aim to add a new dimension to the information and consultation at European level that will correspond with the EATON Business Ethics and **with the EU directive on European Works Council (94/45/EC and 97/47/EC)** and give added value for both the employees and the EATON companies in the European Economic Area;

Parties aim to establish a European dialogue and to inform and consult employees on trans-national matters that concern the whole group or at least two EATON companies in at least two different countries in the European Economic Area.

Therefore, Parties agree as follows,

Definitions

For the purpose of this Agreement,

Handwritten signatures and initials at the bottom right of the page, including a large signature, a smaller signature, and initials 'CB', 'RG', and '1'.

“Dutch act/law”: means the Dutch European Works Councils Act of 23 January 1997, implementing the EU directive (94/45EG) on the establishment of a European Works Council or a procedure in community-scale undertakings or group of undertakings for the purpose of informing and consulting employees.

“EATON European Group”: means all legal entities and partnerships controlled by EATON within the European Economic Area. In this respect “controlled” means owning or having the majority of shares and/or voting rights, or having the power to nominate more than half of the members of the Executive or Supervisory Board.

“EATON European Group Company”: means any legal entity or partnership which is a part of the EATON European Group.

“European Economic Area (EEA)”: means all the countries that are member states of the European Union plus Norway, Liechtenstein and Iceland. The EEA is the geographical scope of this Agreement.

“Employer”: means any natural or legal person which is a party to employment contracts or relationships with employees

“Employee”: means any person who has an employment contract with an EATON European Group Company

“Employee Representative”: means an Employee, who represents the Employees of his country in the EATON European Works Council.

“EATON European Works Council (EEWC)”: means the body of the Employees’ Representatives participating in the EATON European Forum.

“EATON European Works Council Member (EEWC Member)”: means an Employee Representative elected or nominated in accordance with the provisions of Article 2 hereof.

“EATON European Forum (EEF)”: means the joint body of the EEWC and the CMT.

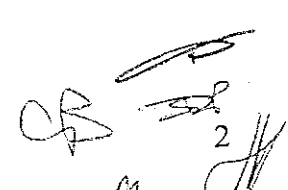
“EATON European Forum Member (EEF Member)”: shall mean an EEWC Member or a member of the CMT.

“EATON European Works Council Chairperson (EEWC Chairperson)”: means the chairperson of the EEWC appointed in accordance with section 2.7.

“EATON European Works Council Secretary (EEWC Secretary)”: means the person appointed as secretary of the EEWC pursuant to section 3.3 hereof.

“Central Management Team (CMT)”: means the representatives of the European central management appointed by EATON.

“Central Management Team Secretary (CMT Secretary)”: means the person appointed as secretary of the CMT pursuant to section 3.3. hereof



“EATON VP Europe”: means the person for the time being appointed by EATON as Vice President Europe.

“Information”: means the transmission by the Employer to the Employees’ Representatives of data in order to enable them to acquaint themselves with the subject matter and prepare for consultation if needed.

“Consultation”: means the exchange of ideas and views together with the establishment of a dialogue between the CMT and the EEWC and the right for the EEWC to provide management with opinions on trans-national decisions that will as much as possible be taken into account when taking a final decision.

“Select Committee”: means the select committee established in accordance with Article 3 hereof.

“Local Management”: means the management of any EATON European Group Company.

“Joint Report”: means the report to be submitted to Employees pursuant to section 5.9 hereof.

www.euro-br.eu

Article 1 - The EATON European Forum

- 1.1. Parties hereby establish the EATON European Forum with the objective of organising dialogue via an exchange of information and consultation between management and employees on trans-national matters concerning EATON’s European business.
- 1.2. The EATON European Group Companies covered by this Agreement are listed in Annex no. 1.
- 1.3. This Agreement shall be without prejudice to national employees’ rights and local management prerogatives.
- 1.4. Local matters and terms and conditions of employment are not a subject for the EATON European Forum.
- 1.5. English shall be the working language of the EATON European Works Council and the EATON European Forum.
- 1.6. In compliance with the provisions of this Agreement CMT and the EEWC shall jointly establish rules of procedure for the EATON European Forum

Article 2 - Constitution of the EATON European Works Council and the EATON European Forum

- 2.1. The EATON European Works Council shall be composed of Employee Representatives, the number of which shall be determined according to the provisions of Section 2.2 to 2.4 hereof.

Handwritten signatures and initials, including the number 3, are present in the bottom right corner of the page.

2.2. Each EU member state with at least 30 Employees shall be represented by one EEWC Member.

2.3. EU member states with more than 5% of the headcount in Europe shall be entitled to the following additional representation:

2.3.1. where the employment in the EU member state exceeds 5% but does not exceed 15% of the headcount in Europe - 1 additional EWC Member.

2.3.2. where the employment in the EU member state exceeds 15% but does not exceed 25% of the headcount in Europe - 2 additional EWC Members.

2.3.3. where the employment in the EU member state exceeds 25% of the headcount in Europe - 3 additional EWC Members.

The maximum number of seats will be 30. The initial number of seats will be based upon the headcount in Europe taken as of the 30th May 2006, details of which are set out in an attachment to this Agreement.

The number of seats per country will be reviewed every four years, or as jointly agreed by the Select Committee in case of an acquisition or divestiture.

2.4. If a new company having more than 30 employees, is established or acquired by EATON or any EATON European Group Company in any EEA state during the duration of this Agreement, and in either case the country in which that company has its registered seat is not yet represented by one or more Employee Representatives in the EATON European Forum, then arrangements will be made for it to be represented as soon as possible, but not in any event later than two years after the date of incorporation or acquisition.

Conversely, if any existing company, having more than 30 employees, is divested or dissolved by EATON or any EATON European Group Company in any EEA state, then the number of Employee Representatives for the country in which that company has its registered seat will be reviewed, and, if necessary, reduced in order to conform with clauses 2.2 and 2.3 of this Agreement.

2.5. The EEWC Members shall be elected or nominated for a term of office for four years. Fair and democratic processes must be used to ensure the EEWC Members are supported by the majority of the Employees. The EEWC Members will be elected or appointed in accordance with the European Works Council ("EWC") legislation in their respective countries. In countries where there is no legislation on electing or appointing EEWC Members, independent agencies will be used to run the election process.

2.6. The EEWC Members, with the help of the Joint Report, are responsible for making a comprehensive and accurate feedback to their local constituencies and works councils. The CMT is similarly responsible for making a comprehensive and accurate feedback to Local Management (see section 5.9, describing the reporting process). The reporting back process shall be done as quickly and as economically as possible. Electronic communication should be used wherever possible. In the rare

CB
12
4
H

circumstances that travel of any EEWC Member is required for this reporting back process, this travel shall require the approval of Local Management of the EATON European Group Company employing that Member. To initiate communication at national level start up meetings might be needed. The Select Committee will give guidance on the best ways this could be done.

- 2.7 The EEWC will appoint its chairperson and secretary from among its members. The EEWC Chairperson shall be an Employee Representative member of the Select Committee. He/she shall represent the EEWC on the basis of its decisions and shall also act as the spokesperson of the EEWC vis-à-vis the CMT.

The EEWC secretary will ensure that any absent members are informed about the meeting discussions and that the Joint Report is distributed to the local works councils.

- 2.8 The EEWC Members shall, in the exercise of their function, enjoy the protection and guarantees for employees' representatives as provided for employee representatives by the national legislation and/or practice in force in the country of employment.

- 2.9 The EATON VP Europe and the EEWC Chairperson will jointly chair the EEF meetings. A secretary of the EEF will be appointed by the CMT to record the minutes. Membership on the CMT will also include such other EATON management as shall be determined by the EATON VP Europe.

- 2.10 All members of the CMT and EEWC should make an effort to attend all EEF meetings. Each EEWC Member may appoint another Employee and the CMT may appoint another representatives of the European central management to act as his/her deputy and to attend and vote at meetings in case they are not able to attend a meeting (due to sickness, injury, etc.)

- 2.11 The CMT and the EEWC jointly constitute the EATON European Forum.

Article 3 - Constitution of the Select Committee

- 3.1 A select committee shall be established comprising eight (8) members, four of which shall be appointed by the EEWC and four by the CMT. The four members appointed by the EEWC shall consist of the EEWC Chairperson, the EEWC deputy chairperson, the EEWC Secretary and one further member. It is a requirement that all such members are Employees employed in different countries within the geographical scope of this Agreement.

- 3.2 The EEWC appointed representatives on the Select Committee shall participate in the ongoing business of the EEWC and shall prepare minutes of its decisions and resolutions. They will take care of the communication between the different sites and will prepare and convene the meetings of the European Works Council in agreement with the CMT appointed representatives on the Select Committee. Moreover, the EEWC appointed representatives on the Select committee shall act as the communication link between the EEWC and the CMT.

Handwritten signatures and initials, including "CB" and "5", are present at the bottom right of the page.

- 3.3. The meetings of the Select Committee held pursuant to clause 3.6 will be chaired by the EATON VP Europe. Both the EEWC and the CMT shall each appoint their own secretary from amongst their members.
- 3.4. All members of the Select Committee shall have a reasonable command of the English language.
- 3.5. The Select Committee will share responsibility for achieving time and cost efficiencies in the conduct of their duties. The Select Committee will respect the Eaton Philosophy, Ethics, EBS and European and local law and use as much as possible the existing communication channels.
- 3.6. The EEWC appointed representatives and the CMT appointed representatives on the Select Committee shall meet once a year (normally in the autumn) to discuss developments and to prepare the agenda for the annual EATON European Forum meeting. The CMT secretary will draft the joint report of the Select Committee meeting within one month in consultancy with the EEWC and, after approval by the EATON VP Europe, it will be sent to all the EEF members.

3.7. The CMT appointed representatives on the Select Committee shall inform the EEWC or the EEWC appointed representatives on the Select Committee as soon as possible about all exceptional circumstances or planned decisions affecting the Employees interests to a considerable extent in at least two establishments or undertakings of the EATON European Group in different countries within the geographical scope of this Agreement, particularly as regards the relocation or closure of establishments, or collective redundancies.

If the European Works Council or the EEWC appointed representatives on the Select Committee so requests, an extraordinary meeting of the Select Committee, or a meeting with another more appropriate level management within EATON having its own powers of decision on the matters to be dealt with at the meeting, shall be held in order that the EEWC may be further informed about and consulted on the circumstances referred to above, on the basis of a written report drawn up by EATON. This extraordinary meeting will be held at a time at which such information and consultation is still meaningful. The EEWC or the EEWC appointed representatives on the Select Committee may issue an opinion on the report within a reasonable time after the meeting. The CMT will respond to the opinion of the EEWC.

Whenever these extraordinary meetings are held, EEWC members representing Employees directly affected by the exceptional circumstances will also be invited to these meetings.

Article 4 - Information, consultation and the European dialogue

- 4.1. The EEWC shall be informed and consulted on the trans-national activities of EATON's European business as a whole or when two or more of its operations have changes in activities in at least two different member states.

Handwritten signatures and initials, including "CB" and "AS".

4.2. The information and consultation and the European dialogue shall focus on the economic and financial situation and the development of EATON European Group Companies' business in Europe. It shall in particular relate to the following items:

- ✱ • Structure of EATON
- ✱ • Economic and financial situation of EATON
- ✱ • Probable development of activities and of production and sales
 - Investments
- ✱ • Substantial changes in the organisation
 - Introduction of new working methods of production processes
 - Environmental care
 - Mergers
- ✱ • Relocations
 - Closures or closure of undertakings or establishment of major parts thereof
- ✱ • The employment situation and trends
 - Collective redundancies

4.3. The information (orally and written) and consultation will be timely in order to enable the EEWC to be well-prepared.

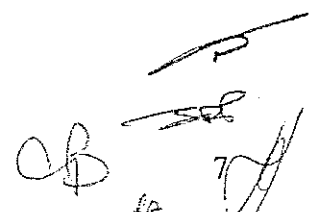
4.4. Each EEWC Member shall have secure access to a personal computer with e-mail and internet, phone and fax at their workplace.

Article 5 - EEF Meetings

5.1. The EATON European Forum shall meet annually in Spring to discuss the results of the previous year and the plans for the coming year as well as other topical subjects. A meeting of the Select Committee will prepare the final agenda for the full EEF meeting.

As an exception to the above, during the initial start up of the EATON European Forum an Extraordinary EEF Meeting will be held in the Autumn of calendar years 2007 and 2008, in addition to the annual EEF meeting specified above.

5.2. Through e-mail, telephone and regular mail the EEF, CMT and EEWC shall be regularly informed about current developments.

Handwritten signatures and initials at the bottom right of the page, including a large signature that appears to be 'CB' and other smaller marks.

- 5.3. The EATON European Forum meetings will be held in the offices of the Representative Agent in Amsterdam, or at another location as shall be determined by the EATON VP Europe following discussion in the Select Committee. In determining the location for the meetings cost effectiveness and meeting facilities will be taken into account.
- 5.4. The Meeting will last at most two consecutive days and comprise three sessions:
- a. a pre-meeting for the EEWC and CMT each;
 - b. a joint EATON European Forum meeting;
 - c. a short evaluation meeting for EEWC and CMT.
- 5.5. The EATON European Forum meeting will be jointly chaired by the EATON VP Europe and the EEWC Chairperson.
- 5.6. Two months before the planned date of the annual EEF meeting the EATON VP Europe will prepare a draft agenda (based on direction from the select committee) and send it to the EEWC Chairperson for comment and input. The EEWC Chairperson and the EATON VP Europe will then jointly issue the final agenda one month before the date of the EEF meeting.
- 5.7. All documents will be provided for the EEF meetings in the English language. For those EEWC Members who do not have a good command of the English language some translations may be made by local management on request of the EEWC Members.
- 5.8. All oral communication in the EATON European Forum and EEWC will be in English. EEWC Members who do not speak English should have the willingness to learn this language. EATON will offer appropriate training facilities to EEWC Members who do not have a good command of the English language during working time and the expense of providing such training will be paid for by EATON. During the first two years of their term of office every EEWC Member who does not have a good command of the English language may request simultaneous interpretation during preparatory meetings, EATON European Forum meetings and evaluation meetings. After two years an evaluation will be made about the language skills of the EEWC Members and whether EATON has provided appropriate training facilities. Based on this evaluation a decision will be taken on whether simultaneous interpretation is still needed. In principle, simultaneous interpretation will cease at the end of the second year of an EEWC Member's term of office.
- 5.9. At the end of each EEF meeting the Select Committee will have a brief meeting to prepare a short document for a joint report to be sent by the CMT/EEWC to all Employees. This Joint Report will be sent as soon as possible, but at least within two weeks after the meeting to Local Management in Europe for distribution to the local Employees using local communication practices. The Joint Report will be translated locally by Local Management in all relevant EU languages.
- 5.10. The CMT Secretary will prepare the draft minutes of the EEF meeting within one month. After approval of the Chairpersons and secretaries, the final minutes will be sent to all EEF members and to Local Management within 6 weeks after the meeting.

CB
P
8
11

This document will be translated locally as required, but is not intended to be distributed to all Employees.

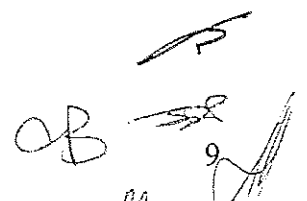
Article 6 - Confidentiality

- 6.1. Neither the EEWC Members nor any expert who assists them are authorized to disclose any information which is of a confidential nature and has been expressly been provided to them by EATON, the Representative Agent or by the CMT in confidence. This obligation shall apply even after leaving the membership of the EEWC.
- 6.2. Prior to providing confidential information, EATON, the Representative Agent or the CMT may require that the EEWC Members confirm on a case-by case basis that the information will not be disclosed to any other person until a specified date or until further notice. The EATON VP Europe shall state the grounds for imposing the requirement of confidentiality in advance, explain what written or oral information is covered, for how long it applies and whether there are persons with regard to whom the confidentiality doesn't apply. The EATON VP Europe shall not transmit the confidential information to those members who refuse to accept the obligation of confidentiality.
- 6.3. Any breach of the obligation not to disclose confidential information will be dealt with at local level according to national legislation, employment conditions and regulations of the EATON European Group Company in which the EEWC member is employed.
- 6.4. The CMT is entitled not to disclose information the nature of which is such that according to objective criteria it could seriously harm the interests of EATON or any EATON European Group Company or could contravene stock market rules or other regulatory requirements.

Article 7 - Experts and training

- 7.1. Internal and external consultants or experts can be asked by either the CMT or the EEWC to attend the meetings of the EEWC, or by the EEWC to attend meetings of the Select Committee, in either case if this is deemed necessary to fulfil the tasks of the body in question. If functional knowledge is needed, internal Eaton staff will in priority be asked to give their expertise on the subject.
- 7.2. External experts will also be allowed to be present at EATON European Forum meetings on request of the EEWC and after agreement with the CMT, such agreement not to be unreasonably withheld. When it is agreed that experts may attend an EATON European Forum meeting they are not to interfere or participate in the discussion of issues between CMT and EEWC. All experts shall be bound by prior written agreement to keep secret any confidential information made available to them. The reasonable costs for the use of such consultants or experts shall be borne by the Representative Agent.

OB SR 9



- 7.3. The EEWC may request the need for training. Any request should be made to the VP EATON Europe and the training will be conducted in the most cost efficient means possible. EATON is a major supporter of life long learning and, as such, it is expected that it will react favourably to any requests for training. Training will not be denied on unreasonable grounds.

Article 8 - Costs and resources

- 8.1. The costs for hotels and travelling, as well as a subsistence allowance (the amount of which shall be in accordance with EATON's Travel and Expense Policy for the time being in force), for EEWC Members attending an EEWC meeting or an EATON European Forum meeting will be borne by the EATON European Group Company employing each EEWC Member. The CMT Secretary will coordinate the hotel bookings for meetings.
- 8.2. Costs of language training and translation of documents will be borne by Local Management
- 8.3. All members must strive toward making all processes relating to the functioning of the EEF and the implementation of this Agreement both time and cost efficient.
- 8.4. The operational costs of the EATON European Forum meetings shall be borne by the Representative Agent.
- 8.5. The EATON VP Europe will supervise whether Local Management has fulfilled its tasks and, amongst other things, has taken action:
- to supervise the nominations or elections of the Employee Representatives and that these are carried out in accordance with the right procedures, taking local circumstances into account and with the objective of ensuring fair representation,
 - to make secure available access to e-mail and internet at the working location,
 - to provide support and offer English language training when needed,
 - to provide necessary translations of relevant EATON European Forum documents,
 - to promote the reporting back of the outcomes of the EEF meeting and to facilitate the distribution of the Joint Report

Article 9 - Settlement of disputes

- 9.1. EEWC and CMT will do their utmost best to resolve any dispute arising from this Agreement in a spirit of good cooperation.
- 9.2. If they do not succeed to find a solution by dialogue, they will arrange for mediation by experts. EEWC will nominate one expert for mediation, CMT will nominate one

OB
10
11

expert, and these two experts will jointly appoint the third expert who will chair the mediation meeting. The chairman will give its advice to EEWC and CMT on the solution of the conflict.

- 9.3. Either party who cannot agree with the advice of the mediation, may submit the issue to the Companies Division of the Amsterdam Court of Appeal.

Article 10 - Applicable law and duration of the Agreement

- 10.1. This Agreement is governed by Dutch law.
- 10.2. The English version of the Agreement shall prevail above the translations in other languages.
- 10.3. The duration of this Agreement on the establishment of the EATON European Forum shall be for a term of four (4) years (the "Initial Term"). The Agreement shall commence on the date it has been signed by all parties.
- 10.4. Following the expiration of two years after the commencement of this Agreement the EEWC and CMT will evaluate the operation of the EATON European Forum and decide if any amendment of this Agreement is necessary. A qualified majority of two thirds of the votes of the EEWC as well as a qualified majority of two thirds of the votes of the CMT is needed to adopt any amendment.
- 10.5. At least six (6) months prior to the expiration of the Initial Term, the EEWC and the CMT shall start negotiations in order to extend this Agreement or conclude a new Agreement for an additional four (4) year term. During the negotiations, which may last for a period expiring six (6) months after the expiration of the Initial Term, the terms and conditions of this Agreement shall continue to apply.

If no agreement has been reached between the CMT and the EEWC by the end of the period of six (6) months after expiration of the Initial Term as to the extension of this Agreement or the conclusion of a new agreement the subsidiary requirements set out in the EU Directive 94/45/EC shall forthwith apply.

- 10.6. This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

Article 11 - Notices

- 11.1. Every notice, demand or other communication ("Notice") given or required to be given under this Agreement shall be in writing and in the English language and shall be signed by or on behalf of the party giving it.

Handwritten signatures and initials at the bottom right of the page, including a large signature, the initials '328', and 'K2'.

A Notice, to be given to the EEWC, shall be sent to the EEWC Chairman at his/her normal workplace address/facsimile number,

A Notice, to be given to the CMT/Representative Agent, shall be sent to the EATON VP Europe at his/her normal workplace address/facsimile number,

or to such other address/fax number as may have been notified to the other party in accordance with this Article.

- 11.2. Every Notice shall be sent by first-class registered or recorded delivery post, or by facsimile transmission, or be delivered by hand. Where any notices are sent by facsimile transmission in proving service of a Notice it shall be sufficient to prove that the senders facsimile transmission report confirmed receipt at the appropriate number in full.

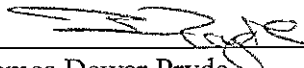
www.euro-br.eu

CB
12
12

Signed on 8th June 2006

By



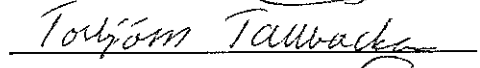
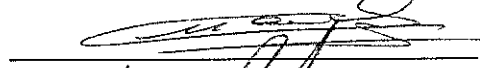


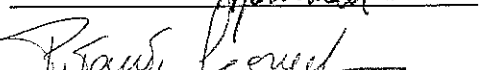
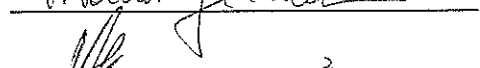




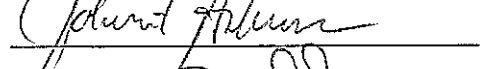
EATON BV


James Dewar Pryde


Nicholas George Dupenois

www.euro-br.eu

**Special Negotiating Body
Representing EATON Employees in Europe,**

	Name	Country
	Henk Vosmeijer	Belgium
	Bent Th. Nielsen	Denmark
 Torbjörn Talbacka	Torbjorn O. Talbacka	Finland
	Emmanuel Hautbois	France
 Uwe Riedinger	Uwe Riedinger	France Germany
	Peter Randall	Ireland
 Gioachino Pitanti presso RSU	Gioachino Pitanti presso RSU	Italy
	Henk Vosmeijer	The Netherlands
 Mikolaj Dzedzic	Mikolaj Dzedzic	Poland
 JC José Maria Carmona Prados	José Maria Carmona Prados	Spain
 Robert Andersson	Robert Andersson	Sweden
 Colin Batters	Colin Batters	United Kingdom
 Glyn Haynes	Glyn Haynes	United Kingdom