

**INA-Holding Schaeffler KG**

hereinafter referred to as

**Central Management of the Schaeffler Group**

and the

**Special Negotiating Body**

enter into the following

**Agreement on the work of the European Works Council**

**Preamble**

As a result of the Schaeffler Group's European-wide activities, the Central Management and the Special Negotiating Body agree to establish a European Works Council as information and consultation body for the employees of the companies of the Schaeffler Group. On the basis of the EWC Directive 94/95/EC and the German law on the establishment of EWCs (EBRG), the parties concerned agree on the following regulations governing the rights, duties and work practices of the European Works Council (EWC).

Both parties agree to promote the cooperation between Central Management, subordinated management units and employee representative bodies in Europe and to enter into a constructive dialogue aimed at coping with the economic, social and ecological challenges at a European level.

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**Article 1 Scope**

The agreement shall apply to all employees of the Schaeffler Group and cover their companies, establishments, branches, subsidiaries and operations (hereinafter referred to as "locations") within the scope of the EBRG. Companies and establishments to be attributed to the Schaeffler Group are those on which the controlling undertaking can exert a controlling influence. As far as the capacity to exert a controlling influence is concerned, the presumptions stipulated in section 6 (2) EBRG shall apply. Central Management shall amend the list of all locations covered by this Agreement (Annex 1) on a continuous basis and keep the EWC informed of changes in a timely manner.

**Article 2 Cooperation**

The EWC is an independent representative body of the employees in the countries covered by this Agreement. Central Management and the EWC shall cooperate with the intention of reaching an agreement and take into account their individual rights and mutual obligations.

**Article 3 Composition and term of mandate**

- (1) The procedure of sending national representatives and their deputies to the EWC shall be carried out in accordance with national law. If there is no such regulation, the EWC members shall be nominated by elected employee representative bodies. If there is no national regulation on elections, EWC members may, as an exception, be directly elected by the employees.
- (2) From each country, in which at least 100 people are employed in one or several locations, one member shall be sent to the EWC. If a country represents at least 50% of employees, 6 additional members can be sent, if a country represents at least 40% of employees, 5 additional members can be sent and if a country represents at least 30% of employees, 4 additional members can be sent. For countries with fewer than 100 employees, responsibilities at EWC level shall be established separately. The resulting seat allocation and responsibilities are listed in Annex 2. A deputy shall be nominated for each EWC member. Central Management shall be informed about the composition of the EWC and receive a list with the names of the delegates.
- (3) Should the Schaeffler Group set up business in another member state with at least 100 employees, this country shall be entitled to immediately send an additional member to the EWC pursuant to Article 3 (1). The remaining composition of the EWC shall remain unaffected thereof.
- (4) EWC members shall be elected for a four-year term unless the term ends prematurely because of a delegate's removal from office, premature new nomination or for other reasons. Membership shall start with the delegate's appointment. If a delegate loses his/her mandate because he/she is removed from office or leaves the Schaeffler Group, this seat has to be filled by another member from the relevant country.
- (5) Central Management shall review employee figures every two years and verify whether the changes might affect the composition of the EWC pursuant to Article 3 (2). The effective date for the counting of employee numbers shall be the last day of the month preceding the constituent meeting. Central Management shall inform the EWC about the result. The list in Annex 2 shall be updated after each review. If this review requires another composition of the EWC, the EWC shall ensure that the members of the EWC will be newly appointed in the countries in which the number of employees has changed compared to the previous period. The new appointment of a member shall automatically end the membership of the employees that have so far represented these countries on the EWC.

**Article 4 Executive Committee of the EWC**

- (1) The EWC shall form an Executive Committee (EC) which shall comprise 5 members. The chairperson and the deputy chairperson as well as the secretary shall be members of the Executive Committee in any case. At least three countries should be represented on the EC. The EC shall meet and be active in Germany.
- (2) The EC shall run the day-to-day business of the EWC and be in charge of preparing EWC meetings as regards content and organisational details. In accordance with Article 6 of this Agreement, the EC shall also be responsible for the information procedure and for issuing a statement in case of extraordinary circumstances. The EWC can assign additional tasks to the EC.

- (3) The EC may at any time submit written questions relating to the company / group of companies and/or its locations to Central Management.
- (4) In special cases, a meeting of the EC may be held together with representatives of Central Management upon request of the EC.

**Article 5 Responsibility/Information and consultation at regular intervals**

The EWC shall be in charge of transnational matters which affect employees in at least two countries.

- (1) Central Management shall inform and consult the EWC once a calendar year on the development of business activities and the business outlook of the company taking into account the company’s strategic goals. Information and consultation shall focus in particular on the following topics:
  - a. the structure of the group and its economic and financial situation,
  - b. the expected development of the business situation, production and sales situation,
  - c. the employment situation and its expected development,
  - d. investment (investment programmes),
  - e. major changes in the organisation,
  - f. the introduction of new working and production methods,
  - g. the relocation of companies, establishments or major parts of establishments as well as shifts of production,
  - h. mergers or spin-offs of companies or establishments,
  - i. the downsizing or closure of companies, establishments or major parts of establishments,
  - j. the completed acquisition and sale of companies or parts of companies if two countries within the scope of this Agreement are affected (at least 100 employees)
  - k. mass dismissals (Mass dismissals are dismissals made by the Schaeffler Group for one or several reasons which do not lie within the responsibility of the person of the employer and where, measured by the size of the company or establishments, a considerable number of employees is affected.) Mass dismissals are defined as follows:

Size of company	intended employment cuts
21 – 249 employees	more than 25 employees
250 – 500 employees	10 percent
from 501 employees	at least 50 employees

Employment cuts have to be carried out within 30 days and must have a transnational character.

At the suggestion of the Executive Committee (Article 4), the information given may be extended to include additional topics which are of interest to the employees of at least 2 countries such as

vocational training and professional development  
issues of health and safety at work  
issues of environmental protection  
research and development

The information given refers to basic principles, systems or instruments.

- (2) The EWC may ask Central Management to take measures which will serve the company and the workforce at a transnational level. For this purpose, the EWC can propose topics to be dealt with at the regular meetings with Central Management. Central Management shall provide information on these topics and establish dialogue with the EWC.
- (3) Providing information at European level shall not release management from its obligation to inform at national and local level in accordance with national or local regulations.
- (4) Central Management shall make sure that the necessary documents relating to the topics of information and consultation are comprehensible and have been translated before the meetings of the EWC. Each EWC member shall receive the documents in his/her mother language in time (usually three weeks) before the meeting so that they can be dealt with and discussed in the national or local employee representative bodies before the actual meeting.
- (5) If the company plans transnational measures which may have an effect on the employees of the Schaeffler Group, the EWC must have the opportunity to prepare a statement which may be considered in the company's decision-making process. The statement should be presented to Central Management within 3 weeks of having received such information.

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#### **Article 6 Extraordinary circumstances**

- (1) Central Management must inform the EWC Executive Committee in time of extraordinary circumstances which may have a significant effect on the interests of the employees, submit the necessary documents and consult the EWC if requested to do so. Extraordinary circumstances are restructuring measures which might in particular result in
  - a. the relocation of companies, establishments or major parts of establishments,
  - b. the closure or sale of companies, establishments or major parts of establishments,
  - c. mass dismissals (Article 5).
- (2) Those members of the EWC that represent the establishments or companies which will be directly affected by the planned measures shall also be invited to such meetings of the Executive Committee. In this case, they shall be considered members of the Committee. Central Management is supposed to provide written information before the meeting. Article 5 (4) shall apply respectively. The EC can make its statement within a reasonable period of time and, upon request, meet with Central Management to be informed and consulted on these measures.

**Article 7 Meetings**

- (1) The venue as well as the agenda shall be determined by the chairperson of the EWC or the EC in consultation with Central Management. Upon prior consultation, the meetings shall be held at different locations (usually alternating between Germany and another country), in particular if this is required because of the topics to be dealt with at the meeting.
- (2) The regular information and consultation of the EWC pursuant to Article 5 of this Agreement shall take place once a year in a meeting with Central Management.

If necessary, an additional meeting may take place in consultation with Central Management.

- (3) As a rule, the meetings of the EWC shall last for two days. The EWC has the right to hold an internal meeting within this timeframe. Central Management shall ensure that EWC members will be released from work in time for the meetings.
- (4) Upon examination by the Executive Committee, an extraordinary meeting shall be held if extraordinary circumstances pursuant to Article 6 of this Agreement occur and at least 25% of the members of the EWC and the representatives of at least two countries demand an extraordinary meeting. As a rule, such a meeting shall last for one day.
- (5) Minutes shall be taken of all meetings with Central Management. These minutes will be signed by the chairperson of the EWC and Central Management.
- (6) Professional simultaneous interpreters will be available for the meetings of the EWC, including preparatory and follow-up meetings, as well as for the meetings of the Executive Committee. All minutes and necessary documents shall be translated in all the languages represented on the EWC.

**Article 8 Cooperation within the EWC**

- (1) The EWC shall elect one chairperson and two deputies. The chairperson shall represent the EWC within the scope of the adopted resolutions and may take statements or information on its behalf.
- (2) Necessary resolutions shall be adopted by simple majority of the EWC members present. The EWC may adopt its own rules of procedure to specify internal working methods.
- (3) The EWC may set up working groups of EWC members to deal with issues that only relate to specific locations or parts of the company. These working groups shall be coordinated by the EC. Central Management has to be given reasons as to why it is necessary to release EWC members from work to visit other locations, to incur travel and interpreting expenses or to call in experts and has to approve of these measures.
- (4) The European Works Council and its Executive Committee can ask experts of their choice for support if this is necessary for the EWC to fulfil its tasks. Experts can also be representatives of trade unions.

**Article 9 Information of employees**

The EWC member shall inform the employee representative bodies and/or employees according to national law.

If an EWC member represents several locations in one country, he/she has to ensure a regular flow of information to the employee representative bodies at these locations or directly to the employees if they do not have an employee representative body. The EWC member shall be provided with everything he/she needs to fulfil his/her tasks. He/she shall receive support from the respective representatives of Central Management at the individual locations. Central Management has to be given reasons as to why it is necessary to release EWC members from work to visit other locations, to incur travel expenses or to call in experts and has to approve of these measures. In this case, the members of the EWC in charge of a particular location shall have access to this location of the Schaeffler group to the extent necessary to fulfil their tasks.

In case of a dispute, Central Management shall clarify the matter in consultation with the chairperson of the EWC.

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**Article 10 Qualification**

Qualification measures for the entire body may be carried on issues the EWC has to deal with. Such measures have to be agreed upon with Central Management. They should, if possible, be scheduled together with EWC meetings.

Entitlements to further individual qualification measures and release from work for further qualification as well as the assumption of costs shall depend on the national law applicable to the individual member. If national law does not provide for a regulation, the matter shall be settled between the EC and Central Management upon request of the individual EWC member.

**Article 11 Costs**

Central Management shall bear all the costs incurred by the activities of the EWC. This shall include in particular the cost of interpreters, room and board and travelling expenses for the members of the EWC, the Executive Committee and the necessary expert as well as the cost of the day-to-day business of the EWC. Central Management shall provide premises, material and human resources for this purpose. If technically possible, each EWC member shall have his/her own access to Internet and email and his/her own email address.

**Article 12 Protection of EWC members**

- (1) EWC members must not be hindered in their activities. They must neither be discriminated against nor favoured because of their function. This shall also apply to their professional career.

- (2) The members of the EWC shall be released from work for their EWC activities according to applicable national law. If national law does not provide for a regulation, it has to be made sure that the members are released from work to prepare and follow-up the meetings and pass on information to the relevant national bodies. Attendance at meetings shall be considered working time; journey time shall be governed according to the national regulations on business trips.
- (3) National regulations on business trips and insurance coverage shall apply respectively.

**Article 13 Duty to observe secrecy**

- (1) The members and deputy members of the EWC are obliged not to disclose to any third party any business secret which has come to their knowledge as a result of their membership in this body and which has explicitly been classified as confidential by the employer.
- (2) Interpreters, translators and experts who are called in by the EWC shall be equally bound by this obligation to maintain secrecy. There shall be no secrecy within the EWC.
- (3) The duty to observe secrecy shall not apply to employee representatives at company level as it is part of the EWC's duty to pass on information to them. They shall be bound by the obligation to maintain secrecy under the applicable law in the individual countries.

**Article 14 Validity of national laws**

This Agreement shall neither affect the rights of information and consultation nor any other rights which employees and their representatives may have under the laws of their respective countries unless these rights are extended by this Agreement.

**Article 15 Disputes and joint commission**

- (1) In the event of any dispute over the interpretation of this Agreement, the German version shall prevail. The court having jurisdiction shall be the industrial tribunal at the Central Management's head office.
- (2) To settle disputes resulting from the implementation of this Agreement, a joint commission shall be set up at the head office of Central Management. As a rule, each party shall send two representatives to the commission. At the same time, both parties shall agree on a neutral chairperson. If the parties fail to reach an agreement with the support of the chairperson, the court having jurisdiction shall decide.
- (3) Should items of this Agreement not be complied with and the arbitration board not take action or fail to reach an agreement, the parties concerned may apply to the court having jurisdiction to assert the rights resulting from this Agreement.

**Article 16 Amendments to this Agreement**

In the event of major changes in the structure of the Schaeffler Group or the number of locations, negotiations on an appropriate adaptation of this Agreement shall be resumed.

**Article 16 Duration of this Agreement**

- (1) This Agreement may be terminated subject to six months' notice as of the end of a calendar year, not, however, prior as of December 31, 2011.
- (2) In the event of a termination of this Agreement, the EWC and Central Management shall resume negotiations on a new agreement which is to be finalised within two years. Should the deadline expire without an agreement being reached, this Agreement shall end with the consequence that the present agreement shall continue to remain valid.

Herzogenaurach, October 8, 2007

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Annex 1 to the EWC agreement dated...

List of locations and current employee numbers in the Schaeffler Group

Annex 2 to the EWC agreement dated...

Seat allocation in the EWC of the Schaeffler Group