Smurfit Kappa Group

EUROPEAN WORKS COUNCIL

NEW PROPOSED AGREEMENT

9TH MAY 2006
1. Definitions

In the Agreement the following terms shall have the following meaning:

a. "Employee(s)" any individual (whether working fulltime or part-time) who has a contract of employment with a Member of the Smurfit Kappa Group, including any individual whose contract of employment commenced after the date of the signing of this agreement.

b. "EWC members" being the representatives of the Employees at the EWC as elected in accordance with Clause 5 d. of this Agreement.

c. "Select Committee" the coordinating body of the European Workers Council, (EWC).

d. "Employer Representatives" the representatives of the Smurfit Kappa Group at the EWC, as nominated by the Smurfit Kappa Group, from time to time in accordance with Clause 5 h. of this Agreement.

e. "Member of the Smurfit Kappa Group" any corporation or entity which is fully owned by the Smurfit Kappa Group, and any other corporation or entity the results of which are consolidated with the financial statements reported by the Smurfit Kappa Group.

f. "Agreement" the present agreement and its Appendices, which may be amended from time to time in accordance with the conditions set out below (art.2 b).

g. "Appendix" an appendix to the present agreement is an integral part of the agreement.

h. "Ex-Com members" the members of the Executive Committee of the Smurfit Kappa Group.

i. "Consultation" the exchange of ideas/opinions and the initiating of a dialogue between the European Works Council and the members of the Executive Committee of Smurfit Kappa Group.

2. Status of Agreement:

a. It is intended that this Agreement shall cover the entire workforce of the Smurfit Kappa Group in the European Union [and European Economic Area] and that the EWC would be comprised, inter alia, of Employees representing such entire workforce and that from time to time, additional members may be elected to the EWC where new groups of Employees become part of the workforce in any country, covered by this Agreement, subject to the above limitation of 30 members.

b. This Agreement will remain in place for a period of 4 years from the date of signing. It will cancel and replace the former JSG and Kappa Packaging B.V’s agreements. All the articles of both former agreements are replaced by this new one. At the end of the four year period, the Parties will make arrangements to meet for the purpose of
reviewing and if necessary re-negotiate. Either parties can express the desire to renegotiate. However the expiring agreement will remain in place until a new agreement is signed by both Parties.

c. The language of the EWC and of this Agreement shall be English. This Agreement will be interpreted and constructed in accordance with the English language. In case of differences in interpretation the English version will prevail. The EWC has six official languages: English, Dutch, French, German, Italian and Spanish. When signed, this agreement will be translated into all relevant languages and sent to each member of the EWC.

d. This Agreement and any disputes arising out of or in connection with it shall be governed by and constructed in accordance with the laws of Ireland and any such dispute that cannot be settled by mutual agreement shall be submitted to the Courts in Ireland and each Parties shall submit to the exclusive jurisdiction of the Courts in Ireland in respect of any such disputes.

3. Purpose

a. The Management of the Smurfit Kappa Group in Europe and their employees (as represented by the EWC members) believe that the interests of the business and, therefore, the welfare of those in it, will be assisted by the continued operation of the Smurfit Kappa European Works Council.

This agreement is made pursuant to the whole European Union Directive 94/45/EC to allow there to be a joint understanding if the performance of the business, of its operating environment and markets and of other matters of genuine mutual concern.

b. The purpose of the EWC was and is to assist in the development of an open two way communication process with all employees.

c. While the EWC is seen as a valuable addition, and complement, to the existing structures at a local or country levels, it is not a negotiating body. Accordingly, it will not involve itself in matters that are the prerogative of bargaining (such as compensation, benefits or other conditions of employment) or consultative processes at local or country level.

d. The Parties to this Agreement are jointly committed to the future prosperity of the Smurfit Kappa Group's businesses in the European Union (EU)/ European Economic Area (EEA). The Parties have therefore agreed to amend the Existing Agreements in Jefferson Smurfit Group and Kappa Packaging, and have set out below this new Agreement incorporating all of the changes which they have agreed to make.

4. Terms of reference

a. The issues to be addressed will be trans-national in nature, affect at least two countries and will be in accordance with the European Union Directive.
b. This Agreement will apply to all those individuals who are Employees of companies or entities which are Members of the Smurfit Kappa Group during the term of this Agreement and whose results are consolidated into its Annual Financial Statements during the term of this Agreement and who are working in the Member States of the European Union and the European Economic Area (such States and the current approximate numbers of such Employees being as set out in Appendix A to this Agreement). Appendix A shall be revised on an annual basis, in line with changes in the organisational structures of the Smurfit Kappa Group and the EWC members shall be notified accordingly.

5. Membership

a. Membership of the EWC will be drawn exclusively from the Smurfit Kappa Group’s Employees in the countries covered by this Agreement and EWC members will be appointed / elected in accordance with local rules and practices of each country.

b. Each country entitled to participate will be represented according to the proportionality rule, subject to an overall limit of 30.

It has been agreed that the number of Employee representatives at the Smurfit Kappa European Works Council will be limited to 30 and split according to the following rules:

i. 1 seat for countries with between 125 than 1500 employees
ii. 2 seats for countries with between 1501 to 3000 employees
iii. 3 seats for countries with between 3001 to 5000 employees
iv. 4 seats for countries with more than 5001 employees

Should the organizational structure of Smurfit Kappa Group or the ownership relationships change, the allocation of the number of representatives shall be adjusted by Management to reflect the new situation.

The number of seats will be always maximum 30. The agreed allocation stays for four years. However, if seats are not taken up after two meetings, they will be reallocated by the Select Committee. Countries with no seat in the EWC will have first priority and after that, Select Committee will propose to Management country they would like to benefit from an extra seat. The new allocation will be reviewed at the end of the agreement.

c. To be considered for membership of the EWC an employee must have at least 12 months of service with the Company, either in a full-time, or regular part-time capacity as defined under the law of each country.

d. The procedure for the nomination/election/selection of EWC members will be in accordance with one or more of the following methods in the countries concerned:

1. The appropriate custom and practice
2. The legal arrangements
3. Work Councils prevailing procedure
4. As otherwise locally agreed

9th May 2006
European Works Council members can select a Deputy/Replacement among the list of official local representatives. The deputy can only participate in the EWC meeting in the event the elected member is unable to attend. The Human Resources department shall be informed of the change before the meeting. The deputy is not entitled to training, computer access and documents prior to EWC meetings. Also select committee members can select Deputies. Also these deputies can only attend the select committee meetings if the ones they replace can not attend.

e. EWC members shall serve for 4 years. However, they may serve for a lesser or greater period in accordance with the policy, procedure or legislation in the respective country. If a member loses his national mandate within this period, a new member shall be elected.

f. The members of the EWC shall be eligible for re-election.

g. The membership of the EWC is dependent on employment by the Smurfit Kappa Group.

h. The Smurfit Kappa Group representation will consist of such number of individuals as may be nominated from time to time by the Smurfit Kappa Group and may include, but shall not be limited to the actual job holders: Chairmen, Chief Executive Officers, Chief Operating Officers, Vice Presidents, HR Directors and other senior management personnel.

i. Meetings of the EWC with representatives of the Smurfit Kappa Group will be chaired by the Chief Operating Officer of the Smurfit Kappa Group, (or such other member of senior management as nominated by the Smurfit Kappa Group, in consultation with the Select Committee, from time to time).

j. In fulfilling their duties in accordance with this Agreement, the EWC members will be afforded protection according to the relevant national legislation.

6. Meetings and Administration

a. The EWC will meet twice a year, (spring / autumn) in a different plant each time. Interpreters will be provided only in six official languages: English, Dutch, French, German, Italian and Spanish.

b. Arrangements for each meeting (venue, accommodation, notification, etc...) will be made by the Human Resources secretary provided for the EWC by the Company.

c. A Select Committee, consisting of not more than of 7 EWC members, will be elected by the EWC. The Select Committee will meet with the representative of the Human Resources function 2 times a year. These meetings will be conducted in languages needed to ensure all participants can communicate effectively.

The principal objectives of such meetings will be as follows:

1. To liaise with management on behalf of the EWC
2. To set the agenda for the EWC’s annual meeting with management, and
3. To discuss issues arising from or relating to the EWC

Time as required will be given to Select Committee members to enable them to undertake their duties.

d. The Smurfit Kappa Group will provide a report on the organisation’s activities relating, where appropriate, to the terms of reference. This will be circulated to the EWC members 10 days prior to the EWC Meetings. For meetings in exceptional circumstances this will be done one week before the meeting.

Information will be provided on the following topics as required:

1. Business structure of Smurfit Kappa Group
2. Financial economic position of Smurfit Kappa Group
3. Projected developments in production and sales
4. Capital expenditures
5. Reorganizations
6. The situation and trends regarding employment opportunities within Smurfit Kappa Group
7. Potential collective dismissals
8. Mergers, production relocation, economics, closing of branches
9. The introduction of new work or production methods
10. Environmental protection
11. Relocation, curtailment or closing of businesses
12. Health & Safety
13. Issues affecting all European staff

e. The EWC will meet for a maximum of 2 days to inform and consult on the issues mentioned in 6 d. These two days will include the pre-meeting but exclude time for travel.

f. Each company of the Smurfit Kappa Group will bear the reasonable expenses of the venue (accommodation and travel) of the EWC members for the plenary session and Select Committee meeting while translation costs will be paid by the Group.

g. Experts, who may be fulltime Trade Union officials, may attend a pre-EWC meeting at the request of the EWC members. It is proposed for the first year that these experts have informal meetings during the pre-EWC preliminary session with the Human Resources representative and Management. It is also proposed that representatives from Amicus and EMCEF attend the first pre-informal meeting with HR and Management and subsequent pre-informal meetings, provided the Select Committee agrees.

The Smurfit Kappa Group will bear the reasonable costs (only travel and accommodation) of only two experts.

h. EWC members will be given time-off to attend the meetings contemplated in this Agreement. The Employees concerned will be paid at a level in accordance with local practice.
European Works Council

i. All arrangement for time off, travel etc..., must be allowed and confirmed with local management.

7. Communication

a. The minutes of the EWC meetings, reports and summaries will be translated into the 6 official languages, English, Dutch, French, German, Italian and Spanish.

Secretarial assistance will be provided as necessary. Minutes of the plenary session should be approved by the Select Committee by email. In the absence of approval within one month, the minutes will be sent out to the European Works Council members.

b. Meetings of the EWC with the Smurfit Kappa Group will be provided with interpretation/translation facilities only in the official languages: English, Dutch, French, German, Italian and Spanish.

c. The documents pertaining to the meetings shall be issued in the six official languages: English, Dutch, French, German, Italian and Spanish. When necessary, local management shall take care of translation in other languages. Both parties agree that a common language will be of benefit and value to the work of the EWC. In this context, the parties commit themselves to working actively towards the European Works Council meetings being conducted in as few languages as possible. Smurfit Kappa Group will offer and pay for training in the English language for those who need it. The extent of training will be determined individually. The long-term objective is that the EWC meetings should be conducted without interpretation. However full or partial interpretation and translation services in the 6 official languages will be provided for as longs as it is deemed necessary.

d. To facilitate communication between the Works Council members, the Smurfit Kappa Group will provide:

1. English language training as mentioned above.
2. A lap-top/desk-top computer (All such equipment will remain the property of the Smurfit Kappa Group)
3. 3-day training every 2 years, topics and trainers to be proposed by Select Committee.

e. It is intended that proceedings of the EWC, in so far as they do not contain confidential information, should be communicated as widely as possible. In this context, a copy of the translated summary of the meetings will be available and displayed in each plant covered by this Agreement.

8. Exceptional Circumstances

Every time the Management is confronted with exceptional trans-national circumstances and / or decisions that will have significant effects on the interests of the employees on two or more Smurfit Kappa Group businesses in different Members States, in particular the relocation of production capacity, the closing of the businesses, or collective dismissals, the Select Committee shall be notified and consulted. Exceptional
circumstances also include important changes for employees in two different countries in connection with any of the following matters:

i. The organization of Smurfit Kappa Group and / or change of ownership
ii. Plans for Smurfit Kappa Group to buy or sell businesses
iii. Changes in Smurfit Kappa Group’s operations

The Select Committee shall be notified orally and in written form. These notification and consultation will take place before any final decision is made. However, this will not prevent the Smurfit Kappa Group from protecting its commercial interests.

If the Select Committee considers there are exceptional trans-national circumstances in Europe, a plenary session of the EWC can be requested.

9. Confidentiality

It is understood and agreed by both parties that on occasion, specific issues of sensitivity may be raised during meetings. Any information shared in confidence must be respected since members of the Select Committee and the participants to the European Works Council have access to information whose communication to the public, including the media, can severely jeopardise the interests of the Smurfit Kappa Group such as strategy, financial performance of the Divisions, Countries, plants, market shares, volumes, number of employees, transfers of production.

It is understood and agreed that on occasions, the Smurfit Kappa Group may have to withhold certain information that, if disclosed, could be commercially harmful to the Smurfit Kappa Group or any of its plants.

Members of the EWC will be given reasons for secrecy as well as deadlines for embargo.

9th May 2006
APPENDIX A

SMURFIT KAPPA GROUP OPERATIONS (FULLY OWNED)

THE AGREEMENT WILL COVER THE FOLLOWING COUNTRIES:

<table>
<thead>
<tr>
<th>Country</th>
<th>Approximate No of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>568</td>
</tr>
<tr>
<td>Belgium</td>
<td>1789</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>599</td>
</tr>
<tr>
<td>Denmark</td>
<td>851</td>
</tr>
<tr>
<td>France</td>
<td>6714</td>
</tr>
<tr>
<td>Germany</td>
<td>5835</td>
</tr>
<tr>
<td>Ireland</td>
<td>916</td>
</tr>
<tr>
<td>Italy</td>
<td>2359</td>
</tr>
<tr>
<td>Lithuania</td>
<td>99</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3343</td>
</tr>
<tr>
<td>Poland</td>
<td>1004</td>
</tr>
<tr>
<td>Portugal</td>
<td>143</td>
</tr>
<tr>
<td>Slovakia</td>
<td>698</td>
</tr>
<tr>
<td>Spain</td>
<td>2594</td>
</tr>
<tr>
<td>Sweden</td>
<td>1812</td>
</tr>
<tr>
<td>United Kingdom &amp; Northern Ireland</td>
<td>3205</td>
</tr>
<tr>
<td>Finland</td>
<td>54</td>
</tr>
<tr>
<td>Norway</td>
<td>340</td>
</tr>
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</table>

COUNTRY NOT IN THE E.E.C (NOT COVERED BY THE AGREEMENT)

<table>
<thead>
<tr>
<th>Country</th>
<th>Approximate No of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>162</td>
</tr>
<tr>
<td>Russia</td>
<td>340</td>
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## APPENDIX B

<table>
<thead>
<tr>
<th>Country</th>
<th>Nb employees HQ &amp; HO included</th>
<th>TOTAL MEMBERS PER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRANCE</td>
<td>6714</td>
<td>4</td>
</tr>
<tr>
<td>GERMANY</td>
<td>5835</td>
<td>4</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>3343</td>
<td>3</td>
</tr>
<tr>
<td>UK + Northern Ireland</td>
<td>3205</td>
<td>3</td>
</tr>
<tr>
<td>SPAIN</td>
<td>2594</td>
<td>2</td>
</tr>
<tr>
<td>ITALY</td>
<td>2359</td>
<td>2</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>1812</td>
<td>2</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>1789</td>
<td>2</td>
</tr>
<tr>
<td>POLAND</td>
<td>1004</td>
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</tr>
<tr>
<td>IRELAND</td>
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<td>1</td>
</tr>
<tr>
<td>DENMARK</td>
<td>851</td>
<td>1</td>
</tr>
<tr>
<td>SLOVAKIA</td>
<td>698</td>
<td>1</td>
</tr>
<tr>
<td>CZECH REP</td>
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<td>1</td>
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<tr>
<td>AUSTRIA</td>
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<td>1</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>143</td>
<td>1</td>
</tr>
<tr>
<td>LITHUANIA</td>
<td>59</td>
<td>0</td>
</tr>
<tr>
<td>FINLAND</td>
<td>54</td>
<td>0</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td><strong>32 583</strong></td>
<td><strong>29</strong></td>
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### NON EU Countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Nb employees</th>
<th>TOTAL MEMBERS PER COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORWAY</td>
<td>340</td>
<td>1</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>340</td>
<td>0</td>
</tr>
<tr>
<td>SWITZERLAND</td>
<td>162</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>33 425</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>
European Works Council

**SIGNED ON BEHALF OF EMPLOYEES:**

**Name:** 
André DUFAU
Rainer BEITEKE
Jürgen KRAPF
Giulio BAINI
Constantino GARCIA
Jan DITLEVSEN
Tim LARKIN
Charlie SCREEN
Noël McGrath
Ton Van GESTEL
Lars-Olov PETTERSSON

**Signature:**

**TRADE UNIONS OFFICIALS**

Peter KERCKOFS
EMCEF, Brussels

Steve SIBBALD
AMICUS UK / UNI-Europa GRAPHICAL

9th May 2006
European Works Council

SIGNED ON BEHALF OF SMURFIT KAPPA GROUP MANAGEMENT

Olav MUURMANS

Date: 9th May 2006