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Agreement on Employee Involvement in Freudenberg SE

between

1. the company **Freudenberg Beteiligungs-AG**,
as represented by Mr Lorenz Freudenberg and Dr. Dirk H. Mahler

hereinafter "FBAG"

and

2. the **Special Negotiating Body**,
as represented by its chairperson, Mr Martin Held,
and deputy chairperson, Mr Giuseppe Iavarone

hereinafter "SNB"

and

for the purpose of acceding to certain provisions of this Agreement

3. the Euro-Forum/EWC,
as represented by its chairperson Mr Bernd Schneider
and the deputy chairperson Mr Karl Johan Spuur Mortensen

and

4. Freudenberg & Co. Kommanditgesellschaft,
as represented by Dr. Dr. Peter Bettermann and Dr. Martin Stark

hereinafter "Freudenberg & Co."

Preamble

The continuing growth of the European market and the increasing internationalisation of the business activities of the Freudenberg Group of companies mean that the dialogue between the company management and the employee representatives of the European subsidiaries is also gaining in importance. The market and cost-based division of labour, both domestically and internationally, generally demanded by our customers, most of which also operate at the international level, has made it necessary to bring product development, manufacturing and distribution in line with changing international competition structures. The corporate structures also need to be adjusted, at the legal and organisational level, to the changing demands.

The Freudenberg Group of companies therefore plans to combine its international activities in a European Company (*Societas Europaea*, "SE"). The founding of the SE is regulated by Article 2 para. 4 together with Article 37 of Council Regulation No. 2157/2001/EC of 8 October 2001 and is effected through the conversion of Freudenberg Beteiligungs-AG ("FBAG"), the wholly-owned subsidiary of Freudenberg & Co., on the basis of the partners' resolution of 18.5.2011.

FBAG is an intermediate holding company. The holdings of FBAG consist at present mainly of companies and shares in companies which are operated as "Kapitalgesellschaften" (companies limited by shares). Above all in Germany, but also abroad, there are also company entities which, under company law, are held directly or indirectly by Freudenberg & Co. as the general partner (so-called "partnership line"). The companies hitherto controlled in the partnership line of Freudenberg & Co. and the shares held by FBAG are to be merged under the corporate umbrella of a company to be converted by FBAG into Freudenberg SE.

Employee involvement in Freudenberg SE shall be in addition to the existing forms of corporate social dialogue as the direct consequence of the new corporate form on the basis of the German SE Employee Involvement Act and the EC Directive (2001/86/EC) it is based on.

In particular, since 1996 there has been a cross-border exchange of ideas and information between employee representatives and the management of Freudenberg & Co. in the "Euro-Forum/EWC". This body will continue to exist for the time being. However, as the structures as defined under corporate law are successively merged, employee involvement is scheduled to be organised in a joint employee representative body. From the outset the resulting new Freudenberg SE Works Council "FEWC" will function as a uniform European employee representative body for the entire Freudenberg group with the intention of reducing the number of interfaces and inefficiency. At the end of the conversion process this will be the only such body with the right to be informed and consulted on matters which are cross-border in nature. Accordingly, the FEWC shall perform its duties in compliance with the Act on European Works Councils (EWCA) and the German SE Employee Involvement Act (SEBG).

Future changes to the number and distribution of the employees within the geographical area covered by this Agreement are to be reflected by corresponding adjustments to the composition of the FEWC as required. The parties agree that no further European employee representative bodies are to be set up, now or in the future, unless this is required for legal reasons or there is unanimous desire for such a move.

This Agreement aims to consolidate the positive initiatives and experiences from the Freudenberg Euro-Forum/EWC. Also, the standards achieved in the Europe-wide social dialogue are to be upheld in cases where they are not already explicitly included in this Agreement or in the procedural rules of the FEWC. This dialogue should continue to be supported by trust-based collaboration and mutual respect for the corporate policy aims and employee interests. Maintaining such standards specifically includes joint responsibility for, and promotion and monitoring of, the upholding of the agreement concluded between the managements of Freudenberg & Co., ICEM and IG BCE by Freudenberg SE regarding social dialogue, and the joint promotion and monitoring of the principles of health, safety and environment protection.

This Agreement does not affect the rights and obligations of national employee representative bodies.

In view of the above objectives, the management board of FBAG and the Special Negotiating Body conclude the present Agreement on Employee Involvement in Freudenberg SE on the basis of the Council Directive as a supplement to the articles of association of the European Company with regard to employee involvement (Directive 2001/86/EC of 8 October 2001) and on the basis of, and with reference to, the corresponding definitions of the German SE Employee Involvement Act ("SEBG").

Having first obtained the consent of their relevant respective bodies, Freudenberg & Co. and the representatives of the Euro-Forum/EWC accede to this Agreement by signing it.

§ 1 Scope

- (1) This Agreement covers Freudenberg SE and all Freudenberg SE-associated companies in Europe as defined in § 2 para. 3 of the German SEBG Act (hereafter referred to jointly as the "Freudenberg SE Group"). For the purposes of this Agreement, the term "Europe" or "European member state" covers all countries within the European Economic Area (EEA) and Switzerland. The purpose of the FEWC is to uphold the rights of employees to be informed and consulted on cross-border matters in Europe; it is also the body which carries out the duties specified in the Act on European Works Councils (EWCA) and the German SE Employee Involvement Act (SEBG).
- (2) **Annex 1** contains a list of companies and plants which were members of the Freudenberg SE Group when this Agreement was concluded, including all corresponding employee figures (excluding board representatives and executive employees). Without being requested, the management board of Freudenberg SE¹ shall submit an updated version of Annex 1 twice yearly to the FEWC (1.02. and 1.08.).² At the same intervals, the FEWC shall be sent an overview of the companies and businesses in Europe not included in the Freudenberg SE structure. The purpose of this is to ensure that all employees of the Freudenberg Group who are located within the geographical area covered by the Agreement enjoy European employee representation.
- (3) The following applies for joint ventures:
 - (a) Employees are covered by this Agreement if Freudenberg SE is directly or indirectly the majority shareholder (more than 50% of shares and voting rights) of the joint venture and if it is responsible for the industrial management.
 - (b) In the case of joint ventures managed on an equal basis with a 50/50 share ratio, the employees of the joint venture are covered by this Agreement if a company which is part of the Freudenberg Group of companies is responsible for the industrial management of the joint venture, e.g. a run-off vote is required in deadlocked situations or if other mechanisms exist for exercising a majority vote or if comparable regulations exist and Freudenberg is entitled to consolidate the partnership in the balance sheet (turnover and result) under IFRS rules.

¹ The term "management board of Freudenberg SE" below refers to members of the management board or other representatives authorised by law, statutes or power of attorney.

² The parties agree that this is based on the consolidated list drawn up in response to requests by the group management accounting department to the individual sub-groups.

- (c) In the case of 50/50 joint ventures which do not fulfil the requirements for setting up a European employee interest representation body of their own, the steering committee and the SE management board may agree to special solutions on a case-by-case basis (e.g. granting non-voting guest status to a delegate of the joint venture).
 - (d) In the case of 50/50 joint ventures which themselves have the right to set up their own European employee interest representation body, a regulation concerning guests as defined in (c) above may be passed for an interim period until an appropriate EWC/SEBR agreement is concluded³. In such cases, the FEWC does not have the requisite authority to intervene in the affairs of the joint venture
- (4) Employee representatives from companies in Europe outside the scope of the Agreement specified in paragraph (1) may be granted guest status to allow them to take part in FEWC meetings. Further details are specified in the procedural rules.

§ 2

Basic principles of cooperation

- (1) The management board of Freudenberg SE and the FEWC shall organise the social dialogue on the principles of mutual trust and cooperation. All those involved in this social dialogue shall carry out their duties for the benefit of the company and its employees.
- (2) The rights and obligations of the management and of the FEWC and its members are based on this Agreement, the regulations of the European Works Council Act (EWCA), Directive 2009/38/EC, the German SE Employee Involvement Act (SEBG), Directive 2001/86/EC and the corresponding national legislation.
- (3) Freudenberg SE and the FEWC shall jointly define good standards e.g. on health, safety and environmental matters and other topics of common interest, and incorporate these, as required, in cooperation with the sectoral social partners in European framework agreements.

§ 3

Composition of the FEWC

- (1) The seats in the FEWC shall be distributed as follows:
 - a) One (1) representative shall be appointed or elected onto the FEWC from each European member state in accordance with § 1 para. (1)⁴ in which the Freudenberg SE Group has at least 50 employees.
 - b) One (1) additional representative shall be appointed or elected to the FEWC for every 1,000 employees from each European member state in which the Freudenberg SE Group employs more than 1,000 employees; the maximum per country, however, is set at 10 representatives.

³ i. e. during the period from the submission of an application for the instigation of negotiations up to the signing of its own agreement for the joint venture company.

⁴ Any references to paragraphs relate to this Agreement unless a reference to a law or directive is added.

- (2) The parties agree that the number of members in the FEWC must stay manageable to ensure that the body can function effectively. If the functioning is severely impeded by the large numbers of members, the steering committee of the FEWC and the management board of Freudenberg SE shall immediately enter into negotiations to redefine or redistribute the involvement. If there are differences of opinion, § 14 shall apply.
- (3) Members of the FEWC may only be employees who
 - a) are eligible for elections to employee representative bodies according to national legislation, and
 - b) are also members of an employee representative body or - in the case of countries with no employee representation - have been delegated to the FEWC on the basis of relevant national regulations.
- (4) One deputy member shall be appointed for each member of the FEWC.
- (5) The management board of Freudenberg SE shall review within two years of the FEWC being constituted, but by three months before the end of its term of office at the latest (see § 5 para. (3)), whether significant changes to the numbers of employees in the individual member states have arisen which require an adjustment to the composition of the FEWC.⁵ The steering committee of the FEWC shall be informed of the result of this review. It will then implement any necessary changes (upward or downward revisions).

§ 4

Plant representatives

- (1) Following established Euro-Forum/EWC practice, in countries with a number of plants belonging to companies of different sub-groups and where the employees are not appropriately represented by the FEWC members of the country concerned, the steering committee can appoint contact persons for each plant from the ranks of the national employee representatives ("plant representatives"). The aim here is to ensure that adequate information reaches all plant employee representative bodies in all cross-border matters.
- (2) The plant representatives are responsible for receiving information from the FEWC and passing it to the workforce of their plants or sub-groups and for providing the FEWC with information from their plant or sub-group which is relevant for the work of the FEWC. The FEWC and the plant representatives should therefore keep each other regularly informed, except in cases where this is prohibited by the obligation to maintain business secrets (cf. § 12).
- (3) As employee representatives, such plant representatives enjoy employment protection as set out in § 11 para. (1). Reference is made to § 9 para. (11) with regard to procedural and cost rules.

⁵ cf. new minutes note regarding § 3 para. 6: *"The steering committee shall be informed immediately in the case of structural changes which involve an adjustment to the number of employees and which in turn necessitate a corresponding adjustment to the composition of the FEWC (mergers, acquisitions, divestitures). Any adjustment to the relevant delegations shall be negotiated upon request from the steering committee or the SE management board."*

§ 5 Appointment, elections, term of office

- (1) The members of the FEWC are appointed by the national employee representative bodies.

If there is no employee representation in a particular member state or region, the members of the FEWC are elected by the workforce in compliance with the relevant national regulations.

The SNB and/or the steering committee of the Euro-Forum/EWC shall assist in organising the first appointment/ballot of the FEWC members. If required, the steering committee of the FEWC may also provide technical or organisational assistance for further ballots.

- (2) Deputy members (cf. § 3 para. 4) shall be appointed in the same manner.
- (3) The term of office of the FEWC is four (4) years. The members of the FEWC are appointed following the regular works council ballots in Germany and the constitution of the official bodies as defined under German industrial law. The first term of office is a stub period starting with the constitutive meeting of the FEWC. It ends with the constitution of the newly elected FEWC following the scheduled works council ballots in Germany⁶. Ballots or appointments should be carried out in good time for the new body to be constituted four (4) years at the latest after the previous constitution. The steering committee (cf. § 6) shall issue invitations to the constitutive meeting of the next FEWC in good time before the end of the four (4) year term of office and shall inform the management board of Freudenberg SE. Members and deputy members may be re-appointed or re-elected.
- (4) The mandate of an FEWC member ends
- a) upon his/her resignation;
 - b) upon termination of his/her active employment relationship with a company in the Freudenberg Group of companies;
 - c) upon withdrawal of the relevant company employing the FEWC member from the Freudenberg Group of companies;
 - d) upon an official judgement concerning an appeal against the appointment or election, or concerning exclusion (cf. paragraphs 5 and 6).
- (5) The management board of Freudenberg SE and the FEWC, as represented by the steering committee, can submit a claim to exclude a member or a deputy member on the objective basement of serious infringement of his or her obligations in relation to the execution of his/her function as a member of the FEWC. More details about this procedure are specified in the procedural rules.
- (6) If a member of the FEWC leaves during his/her term of office and the seat concerned then needs to be filled, a deputy member shall assume the status of full member for the FEWC's remaining term of office. If there are several deputy members in the country concerned, and if the national elections did not specify an order of priority for succession, the steering committee shall decide, which deputy member shall be appointed. If all deputy members have already been promoted to full member status in the country concerned, the steering committee may - if permissible under the respective national laws - nominate a suitable person from

⁶ A diagram showing a sample schedule (stub period, regular term of office, replacement of EWC) is attached as **Annex 2**.

the plant representatives (cf. § 4). Decisions of the steering committee related to the cases mentioned above shall be made in co-ordination with national employee representative bodies.

- (7) If an FEWC member is dismissed by the employer, the steering committee of the FEWC must be informed before the dismissal is pronounced, regardless of any national legal requirements which also need to be observed.⁷

§ 6

Chairperson, steering committee, internal organisation

- (1) In its constitutive meeting, the FEWC shall elect a chairperson and a deputy chairperson from amongst its members for its full term of office. Election of the chairperson and the other members of the steering committee shall be by simple majority of the FEWC members present.

The chairperson or, in his or her absence, the deputy chairperson represents the FEWC in relation to third parties, i.e. he/she implements the resolutions passed by the FEWC and submits and receives any declarations required by/from the FEWC.

- (2) At the same time as electing the chairperson and the deputy chairperson, the FEWC should also elect two further persons from its members for the duration of its term by simple majority of the FEWC members present who, in conjunction with the chairperson and the deputy chairperson, shall constitute the steering committee. When electing the further members of the steering committee, it is important that the steering committee consists of representatives of different countries and sub-groups. The steering committee takes care of the current business of the FEWC. It shall be supported by the FEWC office headed by the chairperson of the FEWC.
- (3) The FEWC shall adopt its own set of procedural rules for its internal organisation and the work of the steering committee. The procedural rules should be prepared by the steering committee and submitted to the FEWC for approval. They come into force on their being approved.
- (4) The steering committee prepares the plenary and other meetings of the FEWC. The steering committee is also responsible for coordinating and ensuring effective communication amongst the FEWC members. In addition, it ensures that information flows effectively between the FEWC and other employee representatives and contact partners (national employee representative bodies, Euro-Forum, plant representatives, etc.). Further details are specified in the procedural rules.
- (5) The FEWC may, if required and in consultation with the management board of the SE, set up further committees alongside the steering committee. Each committee should, as a rule, contain at least one member of the steering committee. Further details are specified in the procedural rules.

The present Agreement confers the approval of the management board of Freudenberg SE to establish a health, safety and environment committee. The

⁷ The steering committee has the right to discuss the procedure with the management board of the SE. The steering committee can also ensure that all legal options open to the FEWC member under national law are fully exploited.

health, safety and environment committee should assume responsibilities which have hitherto been carried out in the annual HSE seminars of the EWC/Euro-Forum and continue this work. To this end, the committee shall draw up annual programmes on the basis of concrete project plans, liaise with those responsible for environmental and occupational safety matters, and nominate the "We All Take Care" ("WATC") jury and the Corporate Committee HSE from amongst its members. Further details are specified in the procedural rules.

- (6) The FEWC can set up working groups to deal with cross-border problems or projects, having first obtained the consent of the management board of Freudenberg SE. The composition of these working groups will be determined on a case by case basis in consultation with the management board of Freudenberg SE. The working groups shall report the results of their work to the steering committee and the FEWC. Any working groups should be dissolved once their set task has been completed.

§ 7

Responsibilities of the FEWC

- (1) The FEWC is responsible for cross-border matters which affect the companies of the Freudenberg SE Group and/or their plants in European countries within the scope of this Agreement. This does not apply for matters, the handling of which falls exclusively within the responsibility of the national employee representative body concerned. In cases of doubt, an agreement on the correct legal demarcation should be reached between the management board of Freudenberg SE, the steering committee and the representatives of the national employee representative body.
- (2) § 15 applies regarding the demarcation of powers concerning matters which fall within the jurisdiction of the Euro-Forum which will initially continue its work.
- (3) The object and scope of the involvement rights of the FEWC are determined in more specifically by § 8.

§ 8

Information, consultation

- (1) At least once per calendar year, representatives of Freudenberg SE (generally a member of the management board accompanied by up to four (4) group heads of department or other representatives of Freudenberg SE) shall inform the FEWC regarding the following cross-border topics and matters:
- a) the economic and financial status of the Freudenberg Group of companies in Europe, forecasts regarding business, production and sales performance, plus current employment levels and forecasts;
 - b) key investments, major organisational changes and the introduction of new work and production processes;
 - c) relocation of production, mergers, divisions, restructuring, changes to trade investments - where such measures have a significant impact on the employees in the affected plants within the scope of this Agreement;

- d) downsizing or closures of companies, plants or key parts of these units, and mass redundancies. Mass redundancy is defined as when at least 20 employees are made redundant within a period of 90 days; the regular number of employees in the plant plays no role here.⁸
- e) health, safety and environment protection (annual report, key figures, outlook, projects);
- f) other key topics of a cross-border nature affecting employee interests which impact upon companies within the scope of this Agreement.

If the FEWC has set up a committee for health, safety and environmental matters (cf. § 6 para. (5)), the information is passed directly to the committee and its members in accordance with e) above.

The documents relating to the agenda topics shall be distributed to all members of the FEWC one week before the meeting at the latest. They may be sent in electronic form. Written documents shall be sent to the FEWC members in their respective national languages except in cases where they expressly forego this right and accept a general language version issued to all. The documents to be presented under § 28 para. (1) of the German SE Employee Involvement Act (SEBG) by the management of the SE should first be issued to the steering committee in the language versions already available. The steering committee has the right to request further translations of the documents in cases where this is necessary for the FEWC's work. § 9 para. (5) page 4 remains otherwise unaffected.

- (2) A period of consultation and discussion should ensue after the information is received from Freudenberg SE.
- (3) The FEWC may also issue written statements on measures and topics, as described above, to the management board of Freudenberg SE. The management board of Freudenberg SE shall take such statements into consideration in their decision-making process.
- (4) Where permitted by national law, the management board of Freudenberg SE must inform the FEWC of any cross-border measures and topics as defined in para. 1 before informing the national employee representative bodies. If this is not permitted under national law, the FEWC must be informed at the same time at the latest. Informing the FEWC does not negate the duty to inform and consult with any individual employee representative bodies affected in accordance with national legal requirements.
- (5) The management board of Freudenberg SE shall inform the steering committee as early as possible of any measures planned under (b), (c), (d) and (f)⁹ of para. (1) above which have a considerable effect upon the interests of employees. This is to permit discussion and consultation which could potentially alter the outcome of decisions. The documents and all related documents shall be made available by the management in a comprehensible form and in the national languages of the companies and plants affected by the planned measures. The steering committee shall be given the opportunity to issue a statement to the management board of Freudenberg SE and, if required, to hold an extraordinary meeting. Regardless of the recommendation of the steering committee, an extraordinary

⁸ as defined in EU Directive 98/59/EC Art. 1 para. (1) a) i).

⁹ The company management and the SNB agree that consultation procedures as defined in para. 5 should only be instigated in cases as described in paragraph 1 (f) above if the planned measures affect the employees or necessitate major changes to the organisation of work.

meeting of the FEWC shall be called in cases where over half the FEWC members request such a meeting. The management board of Freudenberg SE shall not reach its decision without consulting with, or considering the written statement of, the steering committee; this should take place within 15 working days of receiving the information. The SE management board needs to justify its decision ("provisional decision") if it differs from that proposed by the steering committee. In such a case, and assuming no parallel consultation process at the national level has already been concluded, the steering committee shall then be given a further opportunity to consult at short notice with the management board of Freudenberg SE in order to reach a mutually acceptable solution. This further consultation shall end 10 working days at the latest after the announcement of the justified provisional decision of the management board of Freudenberg SE.

- (6) While the consultation is continuing and while no conclusion has been reached on any simultaneously instigated consultation or similar procedure stipulated under national law (e.g. a case concerning balancing of interests pursuant to §§ 111 ff German Works Constitution Act (BetrVG)), the FEWC or its steering committee can insist that the planned measures should not be implemented, either in full or in part, either at the European or the national level. It is permissible to instigate any mandatory national consultations in parallel to the FEWC consultation and, upon their conclusion, to implement them independently of the result of the FEWC ballot (national law takes priority), although not before the FEWC consultation has been concluded, or 5 weeks at the earliest after transmission of the information as specified in para. 4 clause 1 above, depending on which of the two events occurs first. To aid understanding of the consultation procedure and the prescribed schedule, an exemplary case is shown in the form of a flow diagram in **Annex 3**.

§ 9 Meetings

- (1) The FEWC shall convene once per year for a meeting of sufficient length. If required, extraordinary meetings can also be held, e.g. for a smaller circle of members, with the consent of the management board of Freudenberg SE. The standard location for the meetings is Weinheim. Following agreement with the management board of Freudenberg SE, meetings may also be held at other Freudenberg locations in Europe.

The steering committee meets three times per year in one of the European plants of Freudenberg SE; objective reasons for the choice of location should always be given (cost, plant/country affected by current developments, etc.). The steering committee may also hold extraordinary meetings if there are justifiable reasons for doing so (e.g. in the case of major cross-border restructuring within Freudenberg SE).

The health, safety and environment committee shall hold one meeting per year.

If it is deemed necessary to address topics affecting part of the Group in a meeting, the steering committee can issue invitations to an extraordinary meeting and, if required, also invite further individuals in addition to those members of the FEWC directly involved. Extraordinary meetings called on topics relevant only to parts of the Group shall generally be held immediately after a regular meeting of

the FEWC or the steering committee. Further details are specified in the procedural rules.

The parties agree that the members of the FEWC, the committees and the working groups shall use electronic and telecommunication media.

- (2) The parties declare that the members of the FEWC shall always be granted unrestricted access to the relevant company rooms and have the right to consult with local employee representatives.
- (3) The meetings of the FEWC, the steering committee and any other committees and working groups are not public.
- (4) The languages of the meetings are German and English. In order to facilitate a level of communication which is appropriate for carrying out the FEWC tasks as defined in this Agreement, simultaneous interpreting and professional translations of documents will be provided by translators/translation services. Details shall be agreed between the steering committee and the management board of Freudenberg SE. The medium and long-term goal for both sides is for all members of the FEWC to be able to communicate with each other and with representatives of the company.
- (5) Invitations to the regular meetings of the FEWC shall be issued 13 weeks prior to the meeting. FEWC members shall submit any additional agenda proposals to the chairperson of the steering committee at least ten (10) weeks before the meeting. The final version of the agenda and the wording of the questions to the management board of Freudenberg SE shall be issued to the management board of Freudenberg SE and those taking part in the meeting at least six (6) weeks in advance of the annual meeting.

Written documents shall be sent by the Freudenberg SE management board to the participants in the relevant national languages at least 14 days before the meeting.

Meetings and consultations of the FEWC and the steering committee or any other special committee can also be organised at shorter notice following agreement with the management board of Freudenberg SE. Modern communication technology such as video conferences or other electronic media may also be used.

Topical issues can also be dealt with in the FEWC meetings regardless of the above deadlines. In cases where topical issues require a statement from the management board of Freudenberg SE, this shall be subject to prior consultation between the steering committee and the management board of Freudenberg SE or consent from the management board of Freudenberg SE in order to ensure that the latter has adequate time for preparation.

- (6) The FEWC can invite a maximum of five (5) guests to the FEWC meetings. Guests may specifically include representatives of unions which are represented in the Freudenberg Group of companies in Europe, executive employees of the Freudenberg SE Group and representatives of individual Freudenberg sub-group companies falling within the scope of this Agreement. § 11 para. (5) applies regarding the consultation of official experts.

The FEWC may also invite a European ICEM¹⁰ representative to attend its meetings. An invitation issued to such a representative does not constitute one of the five (5) guests referred to above.

Further guests may also take part in meetings, extraordinary meetings or committee consultations with the prior consent of the management board of Freudenberg SE.

- (7) The FEWC meetings are chaired by the chairperson or, if he/she is unable to attend, by the deputy chairperson who is also responsible for the preparation and the general organisation.
- (8) If necessary, the FEWC meetings can be interrupted for internal consultations among the employee representatives. Internal meetings may also be held during the annual meetings of the FEWC.
- (9) Minutes shall be kept of the FEWC meetings; these shall be signed by the chairperson or, in his or her absence, by the deputy chairperson. The minutes shall be translated into the relevant national languages and sent to the participants.
- (10) The employees of the Freudenberg SE Group covered by the scope of this Agreement shall be supplied with the information agreed by the steering committee and the management board of Freudenberg SE. This does not affect the right of the FEWC to inform any employee representatives and/or employees within the Freudenberg SE Group in a suitable form, provided that this does not conflict with the obligation to maintain business secrets (cf. § 12).
- (11) In the countries listed in **Annex 4** of this Agreement, upon receiving the invitation to the FEWC meeting, the FEWC delegate(s) and the plant representatives are permitted to hold a preliminary national discussion. This is on account of the particular regional distribution of the business and sub-groups and the lack of any general employee representation structures there. Where possible and practical, electronic media should be used for these preliminary discussions. If such a discussion is to be called, this should be coordinated with the steering committee. A maximum of two employee representatives or plant representatives from any plant may take part in a one-day preliminary discussion, assuming that both legs of the journey are feasible within reasonable times. Travel expenses shall be reimbursed by the FEWC Office following prior coordination of the travel plans with the FEWC Office. Working hours lost as a result of the preliminary discussion shall be reimbursed by the plants which have sent the delegate. The time should not be deducted from any hours assigned for work on the national employee representative body. Costs for meals etc. shall also be covered by the plant sending the delegate, under the standard expenses regulations. The results of the preparatory discussion shall be reported to the steering committee. If the topics covered in the discussion of the FEWC only concern a particular sub-group, the preparation shall be limited to the relevant circle of employee representatives.

§ 10

Quorum requirement, resolutions

¹⁰ or its successor organisation following the merger with the IMF and ITBLAV.

- (1) Each FEWC member has one vote in resolutions and elections. Resolutions should always be passed in meetings physically attended by all elected delegates where possible. The FEWC is quorate if at least half its members are present. If no resolution is passed on a particular agenda item due to the meeting not being quorate, a resolution may be passed on the outstanding issues in a further ballot held one (1) week at the earliest and three (3) weeks at the latest after the meeting concerned; here, the number of members present is not relevant. Outside the meetings, the FEWC is deemed quorate if at least half of its members are involved in passing a resolution. Members who abstain also count as members of the FEWC.
- (2) Unless expressly stipulated otherwise in this Agreement or by law, resolutions of the FEWC and any committees it sets up including the steering committee require a simple majority of the votes cast. Each member has one vote.
- (3) If a member of the FEWC is prevented from taking part in person in a meeting or in passing a resolution, he/she must ensure in good time that the deputy member is invited to attend.
- (4) In duly justified exceptional cases, FEWC resolutions may be submitted in writing, by e-mail, by fax or any other readily traceable electronic method. Resolutions may only be passed outside the FEWC meetings if
 - a) they are announced in good time to all members, with at least three (3) days' notice being given before the resolution is passed, and
 - b) the passing of the resolution outside a meeting is not opposed by at least a quarter of the FEWC members.
- (5) § 9 para. (9) applies correspondingly for resolutions passed outside meetings.

§ 11

Employment protection, assumption of costs

- (1) Members of the FEWC and deputy members representing or substituting a member of the FEWC enjoy the same protection when carrying out their duties as employee representatives under the legal requirements and established practices of the member state in which they are employed. This applies in particular for employment protection, participation in and preparation of meetings or training courses, and continued payment of wages. The members of the FEWC may neither be given preferential treatment nor disadvantaged as a result of fulfilling their function in the FEWC and fulfilling this Agreement. The parties agree that the regulations of the company of the member or deputy member in question shall apply with regard to travel expenses. With regard to release from work and continued payment of wages, the parties agree on the following basic principles:
 - a) The continued payment of wages when on release from work to carry out his or her functions is based on the basic salary plus all bonuses, supplements and productivity payments. A maximum of nine (9) hours shall be remunerated for full days spent travelling. In general, travel expense claims submitted in connection with the work of the FEWC should be documented transparently and be deemed acceptable by any rational third party observer. In cases of expense-related disputes, the steering committee and the Freudenberg SE management shall endeavour to reach a mutually acceptable solution.

- b) The time spent working for the FEWC shall not be deducted from any hours apportioned for carrying out tasks associated with national employee representative bodies.
- (2) Freudenberg SE shall assume all costs necessary for organising the annual meeting of the FEWC and any costs which arise in connection with the work of the FEWC and its internal meetings.
- The costs assumed by Freudenberg SE include in particular essential travel and overnight expenses for attending the conferences or meetings of the steering committee or other sub-committees and preliminary meetings as defined in § 9 para. (11).
- The same applies for essential costs incurred by guests (§ 9 para. 6) who are invited to attend events, as specified in this Agreement. The assumption of travel expenses is limited to travel within Europe.
- (3) The members of the FEWC, the deputy members and the plant representatives shall receive the materials and technical equipment they need to fulfil their mandate and carry out their responsibilities. This includes access to a computer and ancillary communication equipment for internal consultation; this should be protected so that the employer cannot access the e-mail correspondence except in duly justified exceptional cases where this is legally sanctioned (e.g. strong suspicion of criminal activity or grossly negligent use e.g. of the Internet) and only having obtained prior consent from the steering committee or the national employee representative and, if appropriate, with the agreement of the relevant data protection officer. Confidentiality shall otherwise be maintained in all circumstances. Mobile telecommunication devices (e.g. mobile phone and accessories) shall be procured for the members of the steering committee - unless they are already in possession of such equipment. Individual requirements shall be decided by the steering committee and representatives of Freudenberg SE on a case-by-case basis.
- (4) Regardless of the respective national regulations, the members of the FEWC shall, upon agreement with the management board of Freudenberg SE, be entitled to take part in training and educational courses in subjects which are necessary for carrying out the work of the FEWC. In particular, these could include English and German courses for the members of the steering committee. The parties agree that an "English Language" seminar should be held once per year, as should a seminar featuring content which is appropriate for members of the health, safety and environment committee. Details are to be agreed between the management board of Freudenberg SE and the steering committee.
- (5) Where necessary for carrying out its functions, the FEWC can, following individual agreement between the management board of Freudenberg SE and the steering committee, call in official experts.
- (6) Each year the FEWC shall draw up a budget for its work in the following year. The budget shall be passed in mutual agreement with the management board of Freudenberg SE and managed by the steering committee based on the principles of economical housekeeping. The parties shall base their actions here on the good practice established between Freudenberg & Co. and the Euro-Forum/EWC.

Safeguarding of business secrets

The members of the FEWC, the deputy members and the plant representatives are under obligation to safeguard the confidentiality of business secrets. Confidential information which is labelled as such and which is disclosed in conferences and meetings or in any other manner must be handled in the strictest confidence by the members of the FEWC, the deputy members and plant representatives. Above and beyond this, Art. 8 of the SE Directive 2001/86 and the respective provisions for national transposition shall apply.

§ 13

Effective date and duration of the Agreement

- (1) This Agreement shall come into force on being signed by parties 1 and 2, and also on being signed by parties 3 and 4 acceding to it.
- (2) This Agreement is concluded for an indefinite period of time. Termination or cancellation of the present Agreement is excluded until Freudenberg SE has been entered into the Commercial Register. After this time it can be terminated in writing with due notice of twelve (12) months, albeit after five (5) years at the earliest after the Agreement comes into force. It may be terminated without notice in the exceptional circumstances of substantial changes being made to the existing group structure in the future as set out in § 16 para. (2) clause 2 in **Annex 5**.

Termination by the FEWC requires a corresponding resolution to be submitted by the FEWC which must be passed by a majority of two thirds (2/3) of the FEWC members' votes.

- (3) If Freudenberg SE adopts a different legal form to that of Societas Europaea, or if Freudenberg SE becomes defunct (e.g. by being merged into another company), or if the present Agreement is terminated, its provisions shall continue to apply between the FEWC and the management board of Freudenberg SE until a new written agreement is drawn up which expressly replaces the present Agreement. Conclusion of a new agreement requires a resolution by the FEWC which must be passed by a majority of two thirds (2/3) of the FEWC members' votes.

§ 14

Conciliation committee

If differences of opinion arise in connection with the interpretation of this Agreement or in daily practice between the management board of Freudenberg SE or its representatives and the FEWC, its steering committee or individual members, these differences should be resolved by mutual arrangement. If this is not possible, both the FEWC and the management board of Freudenberg SE have the right to call in a conciliation committee consisting of 2 assessors each for the employer and the employees, plus a neutral chairperson. The procedure is based on § 76 para. 1-7 of the German Works Constitution Act (BetrVG).¹¹

¹¹ Item in the minutes regarding § 14: § 76 of the German Works Constitution Act should be applied to resolve differences of opinion resulting from this Agreement. "Employer", under this Agreement, is the SE management board. "Works Council" is the FEWC. The wording in the version of the statutory regulation valid at the time of concluding this Agreement is as follows:

§ 15 Relationship between FEWC and Euro-Forum

- (1) With the exception of Freudenberg Service KG and the companies of the insurance division, the Freudenberg Group of companies intends to transfer companies of the so-called partnership line currently still controlled directly or indirectly by Freudenberg & Co. to Freudenberg SE within the first 8 months of 2012. The main parties to this Agreement and the parties 3 and 4 acceding to it therefore assume that all employees affected by this Agreement (including the partnership line, see update of Annex 1) are eligible to vote in the ballot of the FEWC members. The election process can therefore be initiated and executed immediately after being disincorporated from Freudenberg & Co. under § 123 para. (3) of the German Sales Tax Act (UmwG) and incorporated into Freudenberg SE. The body shall not, however, be properly constituted until the change in the legal form and the conversion have been entered in the Commercial Register under § 123 III of the UmwG.
- (2) The agreement regarding information and consultation of employee representatives in the European companies of the Freudenberg Group of companies dated 17.9.96 shall be annulled with no further consequences once the steering committee of the FEWC, the steering committee of the Euro-Forum/EWC, the management of Freudenberg & Co. and the management board of Freudenberg SE jointly declare that the FEWC has successfully been constituted in accordance with paragraph 1 above. Both parties assume that this precondition will be met by 31.12.2013 at the latest.

(1) Whenever the need arises, a conciliation committee shall be set up for the purpose of settling differences of opinion between the employer and the works council, central works council or group works council. A standing conciliation committee may be established by works agreement.

(2) The conciliation committee shall be composed of assessors appointed in equal number by the employer and the works council and of an independent chairman accepted by both sides. If no agreement can be reached on a chairman, he shall be appointed by the labour court. The latter shall also decide in cases where no agreement can be reached on the number of assessors

(3) The conciliation committee shall act without delay. It shall adopt its decisions by majority vote after oral proceedings. The chairman shall not participate in the initial vote; in the case of a tie the discussion shall be resumed and the chairman shall participate in the subsequent vote. The decisions of the conciliation committee shall be recorded in writing, signed by the chairman and transmitted to the employer and the works council.

(4) Further details of the procedure in the conciliation committee may be fixed by works agreement.

In cases where the ruling of the conciliation committee takes the place of an agreement between the employer and the works council, the conciliation committee shall act at the request of either side. If one side fails to appoint members or if the members appointed by one side fail to attend after being convened in due time, the chairman and the members present shall make the decision without them, following the procedure laid down in paragraph (3). In taking its decisions, the conciliation committee shall have due regard to the interests of the company and the employees concerned, using equitable discretion. The employer or the works council may make an appeal to the employment tribunal on the grounds that the conciliation committee has exceeded its powers, but only within two weeks of the date of notification of the ruling.

(6) In all other cases the conciliation committee shall act only if both sides so request or agree to its intervention. In such cases its ruling shall take the place of an agreement between the employer and the works council only if both sides have accepted the ruling in advance or accept it subsequently.

(7) In as far as other provisions allow for judicial proceedings, such proceedings shall not be precluded by the ruling of the conciliation committee.

(8) It may be stipulated by collective agreement that an arbitration body set up under the agreement shall take the place of the conciliation committee referred to in subsection (1).

- (3) Until the FEWC is constituted and the Euro-Forum/EWC dissolved in accordance with § 8 of this Agreement, the existing Euro-Forum/EWC alone shall be involved in cross-border matters.
- (4) The parties agree that, once the Euro-Forum has been wound up, Freudenberg & Co. and the companies it controls which have not become companies in the Freudenberg SE Group shall be treated, for the purposes of this Agreement (i.e. in particular representation of the employees of these companies by the FEWC), as though they were companies of the Freudenberg SE Group.

§ 16 Corporate co-determination

- (1) The parties agree that the conditions which would necessitate the establishment of a co-determined supervisory board do not obtain at Freudenberg SE.
- (2) § 18 para. 3 of the German SE Employee Involvement Act (SEBG) applies with regard to future structural changes to Freudenberg SE which have the effect of diminishing the existing co-determination rights.¹²

Irrespective of this, the parties agree that the conditions set out in § 18 para. 3 of the German SE Employee Involvement Act (SEBG) are not met solely by incorporating the companies from the partnership line (**Annex 5**) into Freudenberg & Co. Group of companies.

- (3) The existing employee involvement bodies below Freudenberg SE (e.g. FST Supervisory Board) are not affected by this Agreement. The possibility is also not excluded that further co-determined bodies could be created under national law or the German SE Employee Involvement Act (SEBG) following further restructuring at the sub-group level.

§ 17 Other provisions

- (1) No changes or supplements to this Agreement or the procedural rules shall be valid unless made in writing. The same applies correspondingly to any waiver of this requirement.
- (2) Should any individual provisions in this Agreement prove invalid or unworkable, in part or full, now or in the future, this shall not affect the validity of the remaining provisions. The invalid or unworkable provision shall be replaced by one which most closely approximates the intention of the original wording. The same applies correspondingly in cases in which provisions in this Agreement conflict with regulations in the SE Regulation, the SE Directive or the German SEBG, regardless of the scope or significance of the contractual provision for this

¹² Wording of § 18 para. 3 SEBG:

If structural changes in the SE are planned that could diminish involvement rights of employees, negotiations on the involvement rights of employees in the SE shall be initiated at the suggestion of the management board of the SE or the SE works council. If both the SE management board and the SE works council agree, negotiations can be held between the SE management and the SE works council together with representatives of those employees affected by the planned structural change and so far not represented by the SE works council. Should no agreement be reached during such negotiations, §§ 22 to 33 pertaining to the SE works council and §§ 34 to 38 pertaining to co-determination shall apply by act of law.

Agreement. This also applies correspondingly for any omissions in this Agreement.

- (3) The Mannheim Employment Tribunal is the exclusive court of jurisdiction for any disputes arising from and in connection with this Agreement.

Weinheim, 12. März 2012

Bernd Schneider

Martin Held

Siegfried Winter

Giuseppe Iavarone

Freudenberg Beteiligungs-AG

Freudenberg Beteiligungs-AG

Lorenz Freudenberg

Dr. Dirk Mahler

Freudenberg & Co. Kommanditgesellschaft

Freudenberg & Co. Kommanditgesellschaft

Dr. Dr. Peter Bettermann

Dr. Martin Stark

The translation of the text of this Agreement was prepared by a translator specialized in legal translations to the best of his/her knowledge and belief.

In the event of disagreements or a legal dispute the German version of the Agreement shall apply exclusively.

Annexes:

§ 1 para. (2) - Annex 1: List of companies and businesses

§ 5 para. (3) - Annex 2: Diagram of term of office, stub period, replacement of EWC

§ 8 para. (6) - Annex 3: Diagram of consultation procedure, deadlines

§ 9 para. (11) - Annex 4: List of countries for separate preliminary discussions

§ 16 para. (2) - Annex 5: Future group structure following stage 1 of incorporation