

Memo

To: All KFC Employees
From: KFC Executive
CC:
Date: December 15, 2011
Re: Expiration of Collective Agreement

As most staff will be aware KFC delivered to the BIU on 9 September 2011 notice for termination of the Collective Agreement between KFC and the BIU. During the termination notice period KFC voluntarily and in good faith participated in a mediation process with the BIU to try to come to agreement on amended terms for the Agreement. Unfortunately, despite best efforts, we have been unsuccessful in reaching an agreement with the BIU.

The termination notice period ended on Friday 9 December 2011 and, therefore, the provisions of the Collective Agreement ceased to apply with effect on Saturday 10 December 2011. Therefore, the terms of employment for all staff previously covered by the Collective Agreement will now be the terms outlined in the Employment Act 2000. KFC is working to produce an Employee Handbook which will serve as your guide to your rights and benefits as a KFC Employee. We hope to have this new Handbook completed and available for distribution to all staff early in January 2012.

In the interim, **we wish to call to your attention the following immediate changes** which have resulted due to the expiration of the Collective Agreement, and will impact payroll:

Pension

Under the Collective Agreement, KFC was contractually obligated to remit pension contributions on behalf of unionised staff members to the Restaurant Pension Fund. It has recently come to KFC's attention that the registration of Restaurant Pension Fund with the Pension Commission has not been completed and that there are inconsistencies between the Fund's Declaration of Trust and the actual operation of the Fund. We believe that as a result of these factors it is not in the best interests of our staff that additional contributions be made to the Fund. Therefore, KFC will be making application to the Pension Commission for immediate transfer of all active KFC employees from the Restaurant Pension Fund to KFC's existing fully registered and compliant pension plan, administered by BF&M. Enrolment documents for the BF&M plan will be circulated to all staff and an information session with a BF&M representative will be arranged as soon as possible. **Effective immediately, in accordance with relevant law, KFC will withhold 5% of pensionable earnings from each employee's paycheque for contribution to the BF&M pension plan. KFC will make a matching contribution on behalf of each employee.** Pensionable earnings are comprised of total regular, overtime, and holiday wages as well as laundry allowance payments.

Union Dues or Charitable Contributions in lieu

We have been advised that as the Collective Agreement has expired the requirement for staff to make mandatory contribution of dues to the BIU or equivalent charitable donations in lieu of union dues has ended. Therefore, **effective immediately, KFC will not be deducting union dues or charitable contributions in lieu of union dues from employee paycheques.** However, all deductions previously made while the Collective Agreement was in force will be remitted to the BIU or designated charity. Staff members who wish to continue membership in the BIU should arrange with the BIU directly for payment of dues. Staff who have an interest in continuing to contribute to charity via payroll deduction should advise the KFC office so that management can consider implementation of a new charitable giving scheme in 2012.

Overtime and Holiday Pay

As the Collective Agreement has expired, the Agreement's provisions in relation to overtime and holiday pay no longer apply. However, we wish to confirm that KFC will pay overtime and holiday pay in accordance with the provisions of the Employment Act 2000.

We also wish to confirm for you that **the following items will not change** as a result of the expiration of the Collective Agreement:

1. There will be no change to any employee's basic hourly wage rate.
2. There will be no change to any employee's health insurance benefit nor any change to the cost sharing scheme between KFC and employees for group health insurance coverage under the present group health insurance plan.
3. There will be no change to KFC's hours of operation. KFC will continue to post weekly staff schedules as in past. We do not anticipate any material changes in total scheduled employee hours.
4. There will be no impact on existing vacation arrangements or earned entitlements.
5. KFC will continue to value the contribution of its employees and seek to provide a safe, stable, and sustainable working environment for its staff. We will continue to value employee feedback and suggestions for ways to ensure our business can operate profitably, deliver excellent products and service to our customers, and provide fair compensation and secure employment opportunities for our staff.

If you have any questions about the above information, please direct them to the KFC office and we will arrange to provide you with any additional information that you may need.