

EMBRACO EUROPE S.R.L.

ORGANIZATION, MANAGEMENT AND CONTROL MODEL

According to Decree law No. 231 of 8 June 2001

Approved by Embraco Europe S.r.l. Partners' meeting
during the meeting of 19/07/2010

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INDEX

INTRODUCTION

1.	Preliminary remarks	Page	5
2.	Document structure	Page	5

GENERAL PART

1.	Decree Law 8 No. 231 of June 2001		
1.1	The reference standards	Page	7
1.2	The receivers	Page	7
1.3	Liabile offences	Page	8
1.4	Exemption from administrative liability	Page	10
1.5	The sanctions	Page	10
1.6	Italian Manufacturers' Association guidelines	Page	11
2.	The company		
2.1	The activity	Page	12
2.2	The Group	Page	12
3.	The Model adoption		
3.1	Purpose	Page	13
3.2	The model receivers	Page	13
3.3	The Model adoption process	Page	14
3.4	Internal control and management system	Page	15
3.5	Proxy system	Page	16
3.6	Model spreading and training of the staff involved	Page	16
4.	The Controlling Body		
4.1	Identification of the Controlling Body	Page	17
4.2	Information flows – Consultation of business bodies – Compulsory communications to the Controlling Body	Page	19
4.3	Controlling Body's report to the other company functions	Page	21
5.	Sanctionary system		
5.1	General principles	Page	22
5.2	Sanctions for employees and executives	Page	22
5.3	Sanctions for managers	Page	23
5.4	Sanctions for the Sole Director	Page	24
5.5	Sanctions for commercial partners, cooperators, suppliers, agents and advisers	Page	24

DOCUMENT REVISIONS

The main revisions, updates and integrations after the first revision of this Organization, management and control Model are listed below.

We remind you that all modifications to this Model must be approved by the Partners' Meeting, which is entitled to accept the modification proposals made by the Controlling Body.

The Controlling Body makes the modification proposals according to the checks on the model suitability and its correspondence to the company activities and to the standard updates.

The Controlling Body, together with the Communication department, also releases opportunely the updated Model text after the Partners' Meeting approval.

Revision	Approval date	Activity
1	19 July 2010	Adoption of the Organization, Management and Control Model
2	18 October 2010	Protocol F insertion (Crimes against industry and trade) and new information flow insertion
3	19 July 2011	Organization Model revision and update

INTRODUCTION

1. PRELIMINARY REMARKS

Decree Law 231/2001 ("Regulations on the administrative liability of legal persons, companies and associations without legal personality, according to art. 11 of law No. 330 of 29 of September 2000") came into force on 04 July 2001. It adapted the Italian legislation on the liability of legal persons and introduced for the first time into our code the administrative liability of legal persons.

The Decree provides for some strict pecuniary and prohibitory sanctions for the bodies that do not comply with the provisions it contains.

The company management is entitled to adopt an organization, management and control Model suitable for preventing all crimes; the Model shall then be implemented effectively inside the company organizational structure. The bodies that can prove to have adopted systematically and effectively the rules contained in the Organization Model, according to the prescriptions of Decree Law 231/2001, will not be held responsible for the administrative liability, apart from the criminal or administrative liability of the individual who committed the crime inside the business management.

On 19 July 2010 Embraco Europe S.r.l. gave instructions to prepare this Organization, Management and Control Model, following the directions of the Italian Manufacturers' Association and the group policy guidelines, already applied by the various company functions.

2. DOCUMENT STRUCTURE

The Organization, Management and Control Model arranged and approved by the Company consists of the following parts:

- **GENERAL PART** that in its turn, for information purposes, deals with the contents of Decree Law 231/2001, the main elements of the organization, management and control system with special reference to the Supervision Body and to its composition, activity and responsibility. The general part also contains the company provisions as to the document spreading in the business context, the training and information of the staff involved in the business structure, the disciplinary measures to be taken in case of non-observance of the rules contained in the model.
- **SPECIAL PART** containing the risk mapping of each crime listed in Decree Law 231/2001 and the procedures adopted by the Company to avoid this occurrence.

This model also includes:

- Proxy system – Annex A;

The **CODE OF ETHICS** adopted by Embraco Europe S.r.l. – **SUBJECTION CLAUSE** of a third party to Embraco Europe S.r.l. Model.

- All the procedures, instructions, rules and internal provisions adopted by Embraco Europe S.r.l. that put this document into practice.

Organization, Management and Control Model GENERAL PART

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1. DECREE LAW No.231 of 8 JUNE 2001

1.1 THE REFERENCE STANDARDS

The Decree Law 231/2001, issued on 8 June 2001 following the proxy contained in Law No. 300 of 29 September 2008, and come into force on the following 4 July, adapted the Italian legislation on company liability to the recent evolution of the corresponding international directives.

More precisely, this Decree allowed Italy to implement several international agreements it had previously drawn up:

- the Brussels Convention of the European Community of 26 July 1995 about the protection of financial interests;
- the Brussels Convention of 26 May 1997 about the fight against corruption involving some officers of the European Community or of the Member States;
- the OECD Convention of 17 September 1997 about the fight against corruption of foreign public officers in international economic operations.

The Decree introduced for the first time into our country an administrative liability due to crimes committed by legal persons; this liability is to be added to the criminal liability already provided for by our Criminal Code for the legal persons who materially committed the crime.

According to the new standard, the bodies can be held responsible and sanctions can be applied to them, only for some crimes listed in the Decree, in case the above-mentioned crimes were committed in their interest or to their advantage by subjects who are functionally linked to the body itself.

The Legislator defined these subjects, functionally linked to the body as:

- 1) persons with representative, administrative or management functions within the company or any organizational unit thereof with financial and functional autonomy, as well as any person who manages and controls said company or unit
- 2) persons who are subject to the body direction and supervision.

The persons subject to the body direction and inspection also include those subjects who were entrusted with a task and who must carry it out under the body direction and control, although they are not its employees.

Another assumption of the administrative liability is that the crime is committed in the body interest or to its advantage. One of the following requirements is sufficient: the advantage, as a real economic utility for the body, or the interest, in case the body acts for a precise purpose or utility, even if no real benefit came from this action.

1.2 THE RECEIVERS

According to the Legislator, the receivers of the standard are:

- all companies;
- the associations with or without legal status;

- the public economic bodies;
- the private bodies granting public service.

1.3 LIABLE OFFENCES

The administrative liability of the body only applies if some crimes are committed. They are listed by the Legislator (the so-called "liable offences").

In its original draft the Decree lists a series of crimes concerning the relationship between the legal person and the Public Administration:

- corruption for an official deed (art. 318 of the criminal code);
- corruption for a deed against the official duties (art. 319 of the criminal code);
- corruption in legal proceedings (art. 319-ter of the criminal code);
- instigation to corruption (art. 322 of the criminal code);
- extortion (art. 317 of the criminal code);
- malversation to the prejudice of the State, the European Community or other public body (art. 316-bis of the criminal code);
- undue collection of contributions, financing or other disbursements by the State, the European Community or other public body (art. 316-ter of the criminal code);
- fraud to the prejudice of the State, the European Community or other public body (art. 640, 2nd paragraph, No. 1 of the criminal code);
- aggravated fraud for the collection of public disbursements (art. 640-bis of the criminal code);
- computer fraud to the prejudice of the State, the European Community or other public body (art. 640-ter of the criminal code).

In the original text the Legislator had already envisaged the possibility of extending the crime list and that is what has happened.

Law No. 409 of 23 November 2001, containing urgent provisions for the adoption of the single currency, introduced a new crime in art. 4:

- crimes involving currency fraud, public paper and official stamps.

A more important event for the liable offence list modification was the reform of the company law, contained in Decree law of 11 April 2002, art. 25-ter (then reformed by Law 262/2005) providing for the administrative liability for the bodies in case the following crimes are committed in the interest of the body itself (without specifying the "advantage" envisaged for other crimes):

- false company communications (art. 2621 of the civil code);

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- false company communications to the prejudice of the partners or creditors (art. 2622, paragraphs 1 and 2 of the civil code);
 - false statement (art. 173 bis, Decree law No.58 of 24 February 1998);
 - false relations and communications of the Auditing company (art. 2624, paragraphs 1 and 2 of the civil code);
 - obstructed control (art. 2625, paragraph 2 of the civil code);
 - undue return of the contributions (art. 2626 of the civil code);
 - illegal division of profits and reserves (art. 2627 of the civil code);
 - illegal operations on the stock or capital shares or of the controlling Company (art. 2628 of the civil code);
 - operations to the prejudice of creditors (art. 2629 of the civil code);
 - omitted communication of conflicts of interests (art. 2629-bis of the civil code);
 - capital fictitious formation (art. 2632 of the civil code)
 - undue distribution of social goods by the liquidators (art. 2633 of the civil code);
 - illicit influence on the meeting (art. 2636 of the civil code);
 - manipulation (art. 2637 of the civil code);
 - obstacle to the execution of the functions of the supervision public authorities (art. 2638, paragraphs 1 and 2 of the civil code).

The ratification of New York International Convention of 9 December 1999, concerning the terrorism financing suppression, introduced the following crimes:

- crimes of terrorism or overthrowing democratic order;

Afterwards the adoption of new provisions for the suppression of very serious crimes included among the other sanctions a new extension of the application of the administrative liability for the legal persons. They are listed briefly here below:

- mutilation of female genital organs (art. 583 bis of the criminal code and added by Law No. 7 of 9 January 2006, art. 8);
- crimes against the individual, and above all enslavement and traffic in people, mentioned in section I of chapter III of title XII, book II of the criminal code (added by Law No. 228 of 11 August 2003, art. 5);
- market abuse (added by Law 62, of 18 April 2005);
- receiving, recycling and use of money, goods and utilities of a criminal origin (added by Decree Law No. 231 of 21 November 2007, art. 63.3);
- trans-national crimes (added by Law of 16 March 2006, art. 3 and 10);

The introduction of two particular crimes by Law No. 123 of 03 August 2007 is worth mentioning. This event greatly contributed to increase the company attention on the need of adopting an organizational model to protect themselves, considering the occurrence frequency of these crimes in the company structure:

- manslaughter committed by infringing the accident prevention regulations and the preventive measures of hygiene and health at work;
- life-threatening injury resulting from any infringement of workplace health and safety regulations.

1.4 EXEMPTION FROM THE ADMINISTRATIVE LIABILITY

As stressed in the introduction, Decree law 231/2001 established specific forms of exemption from the administrative liability coming from the commission of a crime, if the body itself demonstrates that:

- a) the managing body used and effectively implemented, before the act was committed, some suitable organizational and management models for preventing offences like the one that occurred;
- b) the task of controlling the model functioning and observance as well as proposing its review was assigned to a supervision authority of the body, having autonomous initiative and control powers;
- c) the people who committed the offence acted fraudulently evading the above said models;
- d) there has not been omitted or insufficient supervision by the Supervision Authority of the body mentioned in point b).

As regards the proxy extension and the risk of committing the offences, the Decree also establishes in art. 6 paragraph 2 that the models mentioned in point a), of paragraph 1, should meet the following requirements:

- a) identify the activities in whose scope offences could be committed;
- b) establish specific protocols aiming at planning the formation and implementation of the decisions of the body in relation to the offences to prevent;
- c) identify the suitable financial resource management modalities for preventing that these offences are committed;
- d) establish information obligations towards the Supervision Authority of the body;
- e) introduce a suitable internal disciplinary system for sanctioning the non-observance of the measures reported in the model.

The same Decree prescribes that the Organization, Management and Control Models could be used according to codes of behaviour issued by category representative associations, communicated to the Ministry of Justice.

1.5 SANCTIONS

Some pecuniary, interdictory and economic sanctions are provided for and they are to be paid by the body as a result of the commission of the liable offences or of the attempted commission of the crimes. They are to be added to the penalty to be charged to the natural person who materially committed the crime.

These sanctions also apply in case of attempted commission of the crimes with the reduction from one third to half.

- pecuniary sanctions: applicable to any of the above-listed illegal deeds, are established by means of a system based on shares not fewer than hundred and not more than thousand with amount changing between minimum 258,23 Euros and maximum 1,549.37 Euros. The judge establishes the number of shares considering the seriousness of the fact, the liability degree of the body as well as the performed activity for removing or reducing the consequences of the fact and for preventing other offences from being committed. The share amount is established on the base of the body's economic and patrimonial conditions, in order to ensure the effectiveness of the sanctions.
- interditory sanctions: interdiction from carrying out the activity, suspension or revoking of authorizations, licences and concessions, prohibition to negotiate with the Public Administration, exclusion from facilitations, loans, contributions and subsidies, and the revoking of those granted, prohibition to advertise goods and services.
The interditory sanctions, together with the economic sanction, only apply in case the body has already committed a crime (reiteration), and the company has profited considerably from the crime.
- confiscation of the price or profit from the crime;
- publication of the sentence (applicable when an interditory penalty is applied).
- Precautionary measures, that can be requested by the Public Prosecutor in case of evidence of the body guilt and a real danger of crime reiteration.

The Decree also provides for the body liability, subject to the same sanctions, even if the crimes are committed abroad and the following requirements are met:

- the crime is committed abroad by a subject linked to the body;
- the body head office is in Italy;
- the Court of the country where the crime was committed is not taking or has not taken legal actions for the crime.

1.6 ITALIAN MANUFACTURERS' ASSOCIATION GUIDELINES

The structure of Embraco Europe s.r.l. Organization, Management and Control Model refers to the Guidelines issued by the Italian Manufacturers' Association (Confindustria) according to the following main points:

- individuation of the crime risk areas;
- adoption of a Code of Ethics and of a sanctioning system, to apply sanctions in case the rules fixed in the Model and in the Code of Ethics itself are violated;
- establishment of a control system, with the necessary functions and skills to carry out an effective check on the suitability of the company procedures, as well as on the model application and observance by all persons.
- implementation of a system of procedures to standardize the main processes making up the preventive control system.

With reference to the last paragraph, we would like to point out that Embraco Europe S.r.l., as part of Whirlpool Group, had already adopted, before the drafting of this model, some suitable control procedures according to the mother house's directives to improve continuously their processes and to minimize the risk of committing a crime inside the company. See the procedures adopted to obtain the ISO9001, ISO14000, OSHAS 18000 certifications as well as the procedures and controls the whole Finance department is submitted to comply with the Sarbanex-Oxley Act.

The essential conditions for the exemption from the administrative liability of the Organization Model include:

- possibility to verify and document, coherence and compliance of every operation;
- function partition;
- control documentation;
- action continuity of the Controlling Body (C.B.), its autonomy and independence, its professionalism
- the obligation to supply the C.B. with information.

Although this Model takes into account the precious Guidelines of the Italian Manufacturers' Association, it was issued with specific reference to the peculiarity of a special company, Embraco Europe s.r.l.

2. THE COMPANY

2.1 THE ACTIVITY

Embraco Europe S.r.l. main activities are:

- production and trade (direct and indirect, in Italy and abroad) of compressors to be installed on home refrigerators;
- production and trade (direct and indirect, in Italy and abroad) of compressors to be installed on refrigerating equipment for professional and commercial use;

The aim of the Company is to be the favourite supplier of refrigerating solutions, contributing continuously to a better quality of life. Embraco Management is based on company liability and on the Organization values. It also focuses on the continuous improvement of Quality, of the Environment - including the pollution prevention and the reduction in the use of natural resources, and the control of dangerous substances – of Safety and of professional Health – including accident prevention and industrial disease prevention.

2.2. THE GROUP

Set up in 1971 in Joinville (SC), Embraco began producing in 1974 initially to supply the Brazilian refrigerator industry, which at that time relied on imported compressors. Soon Embraco increased production: since 1977 it began exporting and now Embraco compressors are sold in more than 80 countries. At the beginning of the 1980s Embraco developed its product research and development department and in 1987 it launched the first compressor with its own technology, EM; in the same year

Embraco opened the first office abroad, in the United States. In 1988, with two offices abroad, Embraco became the world leader in this market.

The office of Joinville also hosts Embraco foundry, to produce metal components. Another city of Saint Catherine state, Itaipopolis, hosts the productive unit of electrical components and heat exchangers (condensers and evaporators), components used for assembling condensation units and “sealed” refrigeration units.

The headquarters of Embraco Europe are at Riva near Chieri; they include the Italian factory (taken over in 1994) and they also control the Slovak factory, set up in 1999 and located at Spisska Nova Vess. In Italy production focuses on home refrigeration while in Slovakia is based on commercial refrigeration; both factories supply above all the European market.

In 1995 in Beijing, China, Embraco created a joint venture with Snowflake, a local compressor producer and in 2006 it opened a new factory with two production lines for home refrigeration and a Research and Development centre. This factory supplies not only China, but also other Asian countries.

Embraco sales and logistics department is completed by 3 sales offices. Two of them are located in Embraco North America at Suwanne, near Atlanta, USA, and one is at San Pedro Garza Garcia, near Monterey, Mexico. The third one, Eurosales, is at Chieri, Italy, and from an administrative point of view it is an integral part of Embraco Europe s.r.l.

Embraco Vision, Values and Mission are largely widespread and they should be considered as a foundation for the almost ten thousand employees all over the world who day after day build Embraco future contributing to support its business.

3. THE MODEL ADOPTION

3.1 PURPOSE

With the adoption of the Organization Model the Company’s aim is to identify a series of rules of behaviour and of Protocols integrating the function and proxy system and other internal organizational and control instruments to meet the scope and the prescriptions of the Decree, both for the prevention of administrative crimes and offences and for the control of the Organization Model fulfilment and of any sanction application.

The Organization Model purposes also include the idea of making the Receivers aware that they could commit a crime implying sanctions both for them and the Company.

Particularly, Embraco Europe s.r.l. wants to inform the Receivers of the duties and the behaviours they have to adopt while carrying out their functions and/or tasks in the crime risk processes described in the special part.

3.2 THE MODEL RECEIVERS

The Receivers of the Organization, Management and Control Model are identified by the Company as:

- the governing director and all parties covering representative, administrative or management functions in the Company or in one of the financially and functionally independent organizational units as well as parties exercising – also factually – management and control of the latter (i.e. legal representatives, general manager, administration manager, sales manager, etc.);

- the Company employees, whatever their status (manager, executive, clerk, worker) even when they are moved to other company offices or to its subsidiaries. Those who cooperate permanently with the Company thanks to a contract work (temporary workers, fixed-term workers, etc.) are included in this category as well.
- the Company Auditors;
- consultants, that is those who are not linked to the Company by a contract of employment or a contract work, but who follow the directives of the company top management under its control, in the name and on behalf of the company or in its interest and to its advantage (i.e. advisers, licensees, agents, etc.).

The Model Receivers must observe all the provisions it contains as well as the provisions contained in the documents it refers to also in compliance with the loyalty, care and honesty duty shaping up where a business relationship is held with the company.

The Company, together with the suitable persons in charge, undertakes to spread the Model contents and to check that the Receivers know about it.

3.3 THE MODEL ADOPTION PROCESS

The Company drew up this Model considering:

- the conduct rules in the workplace;
- the Code of Ethics;
- the Group's Policy;
- the internal control system, the management control system (SOX), the company procedures, the company management system MGE;
- the proxy system;
- the disciplinary system;

Several activities were carried out by the staff in charge to evaluate the situation of the internal control system, the effectiveness of the existing procedures, that took place as described below:

Presentation of a work programme to the company top management and its approval



Analysis and identification of the main processes through a series of meetings with the persons in charge of the various company functions.



Analysis of the preventive control system already existing in the company, the possibility to verify and document.



Identification of the undertakings that are necessary for the adaptation of the existing system.

All the above-mentioned steps were agreed upon with the suitable company functions.

3.4 INTERNAL CONTROL AND MANAGEMENT SYSTEM

For a long time the Company has been adopting internal rules to ensure clear and homogeneous information in all the company areas as to the management, coordination and internal control responsibility. The hierarchic levels and each function are periodically represented in the company organization chart, worked out periodically by the Communication department and updated by the Human Resources.

This document is available to all the employees in the company information system.

As checked periodically by the Management and by the C.B., the company organizational system complies with the following requirements:

- clear formalization of the responsibility taken;
- function segregation and opposition;
- provision of suitable authorization levels, to prevent any power concentration in one person's hands;
- correspondence between activities really carried out and their representation in the organization chart.

As to the activity management the internal procedures also ensure:

- the periodic flow of reports to the competent managers;
- the reliability of the financial and managerial information;
- role separation in the different steps of the company processes;
- the signalling of anomalous or critical situations to the Company top management;
- continuous monitoring of the company operations (for instance through the company account bank reconciliation at least monthly, etc.).

3.5 PROXY SYSTEM

The Company gave some subjects in top positions some specific representative powers towards third parties and authorized parties.

To be valid and effective these proxies must be drawn up by a notary and registered in the Chamber of Commerce.

A synthesis of the proxies and of the relevant spending powers is contained in Annex A of this Model.

3.6 MODEL SPREADING AND TRAINING OF THE STAFF INVOLVED

The initial training for the company employees and cooperators, aimed at spreading the knowledge of Decree law 231/2001, will be differentiated as to contents and modes, according to the receivers' status, the risk level of the area where they work, the presence or absence of the company representative functions. In particular, the Company will select the subjects to insert into groups with differentiated study levels.

All training programmes will have a minimum common content consisting in the explanation of the Decree law 231/01 principles, of the main elements of the Organization, Management and Control Model, of each liable offence provided for by Decree law 231/01 and of the relevant behaviours for the commission of the above-mentioned crimes. Besides these common elements, each training programme will be modulated to offer its users the necessary tools to comply with the Decree according to the Receivers' operating area and their tasks.

The training programme will be carried out with the help and the support of the Human Resources and of the Communication department for the explanatory material. The attendance in the above-mentioned training programmes is compulsory; the C.B. shall control the real attendance and the quality of training programme contents as described above.

This training will end within 3 months from the date of approval of this Model.

In case of recruitment the new employee will be offered a suitable training according to his task and his responsibility within 3 months from his recruitment.

At the end of the training a copy of the model will be delivered at least to the employees with a managerial or leader function and they will have to accept it explicitly. They will also be requested to spread the skills acquired among the workers they control.

Afterwards the involved staff will be periodically updated on the conduct principles to adopt and on the important changes made in the Model and in the Code of Ethics, as well as on any adaptation or update of the corresponding regulations.

The model spreading also includes:

- notice of the Model approval by e-mail;
- model publication in the company DOC sharing system;
- billposting of a notice in the employees' notice board indicating how to consult the Model;
- preparation of an informative report on the Model adoption for all employees, including the new employees and the consultants. This report is duly undersigned by the employee/consultant as a declaration of knowledge and acceptance of the Model.

The Model parts the Company will not consider confidential will be spread outside the company through their publication in the company web site.

4. THE CONTROLLING BODY

4.1 IDENTIFICATION OF THE CONTROLLING BODY (C.B.)

According to the provisions of Decree law 231/2001, the body entrusted with the task of supervising the Model operation and compliance and of updating it must be a company body (art. 6.1, b of Decree law 231/2001), with independent initiative and control power.

According to the Decree formal text, the Guidelines of the Italian Manufacturers' Association suggest the supervising body should be an internal company body, having the following characteristics:

- autonomy and independence: the initiative autonomy of the Supervising Body must be ensured against all types of interference or conditioning by any company function. This requirement is met by providing for a steady reporting to the company top management or Partners' Meeting.
- professionalism: the C.B. should own inside itself the necessary skills to supervise and control effectively all the company relevant areas. If they are not enough or if a more in-depth analysis is necessary, the C.B. could ask external professionals for advice by using the available budget.
- Action continuity: the C.B. should constantly work inside the Company and its members must know deeply the company processes and functions to make it easy to identify any system critical state.

The autonomy and independence requirement implies that the C.B. in carrying out its function is only responsible to the Sole Director and to the Partners' Meeting. Although completely independent, the C.B. should also be in constant touch with the company Board of Auditors and with the company charged with the audit of the balance.

The Supervisory Body's independence is also ensured by the management obligation to approve some suitable financial resources in the business budget, proposed by the C.B. itself and that it can use to carry out its function correctly (i.e. specialized advice, travels on the firm's business, etc.).

Considering the C.B.'s task specificity and the instructions given by the Italian Manufacturers' Association Guidelines, the C.B. will be composed of three members, one of whom comes from outside the company and is experienced in criminal law, administrative liability and/or company procedures.

When the Partners' Meeting appoints the C.B., it also chooses the chairman. At least one employee must always be one of the members to ensure the necessary continuity of action to the C.B. and its connection to the Company structure.

The C.B. members should have no direct or indirect business relationship with the Company for the whole period of their appointment (except for the relationship deriving from the appointment, that is administrative function, subordinate job, advice, and auditor task). The members should also have no important relationship with the Company subsidiaries, with the directors or with the controlling shareholder, such as to condition their independence of judgement, evaluated according to their patrimonial situation as well. They should not be direct or indirect shareholders such as to allow them to control or influence the Company. They could not be relatives or relatives by marriage within the fourth degree of any executive manager of the Company or of the above-mentioned subjects. When the members are appointed, each of them shall make a statement to the Partners' Meeting to confirm the absence of the above-mentioned reasons of incompatibility. The consultant, if appointed, should also prove to have been suitably informed of the rules of conduct and the ethical rules adopted by the Company while carrying out its activities and he must state that he will follow them in carrying out his task.

Under no circumstances can subjects be appointed if their conditions are equal to those described in art. 2382 of the Civil Code. In case they were appointed, they would lose their right.

The C.B. remains in office for 3 years. When the C.B.'s office comes to term and a new C.B. is appointed, the old C.B. closes down. The following provisions apply:

- the C.B.'s members can be revoked only for true and just cause, with the administrative body's resolution, after having heard the member involved;
- if a member resigns from his office, he automatically resigns from his task as member of the C.B.;
- the termination of an office for a cause other than death or resignation implies the termination of the task of the C.B.'s member only upon resolution of the Board of Directors;

In case of death, renunciation, revocation or expiry of term of a member of the C.B., the administrative body will replace it immediately. The new member shall remain in office with the other members.

The C.B. is granted an independent spending power, within a limit fixed every year by the administrative body according to the proposal of the C.B. itself.

The minutes of the C.B.'s meetings must be drawn up, recorded in the suitable minute book and undersigned by the members present.

The C.B. is regularly constituted if the majority of its members is present – even by telematics means – and upon resolution by absolute majority of the attendees.

If necessary, the C.B. will adopt its own operational rules, integrating the rules of this Model, through specific regulations of the C.B. Upon request, the Board of Auditors could attend the C.B.'s meetings and in any case relate periodically to it.

Functions

In compliance with art. 6, first paragraph of the Decree, the C.B. must supervise compliance to the Model and suggest updating for the Model itself.

As provided for by the law, the C.B. has autonomous initiative and control powers to supervise the Model functioning and observance, but it has no coercive powers and it cannot modify the company structure or apply sanctions to the Receivers, either. These powers are given to the competent company bodies or functions, according to what is agreed upon in the Organization Model.

The C.B. must supervise:

- the compliance to the Code of Ethics rules by the Receivers;
- the adequacy of the Receivers' training;
- the real effectiveness of the Organization Model, according to the company structure, and its capacity to prevent the commission of crimes;
- the possibility of updating the Organization Model, if it was necessary to adapt it.

The C.B. must also inform regularly the administrative body of what it comes to know while carrying out its function and of the actions it performs, as well as of the changes to be made to the Model to keep it always updated. The C.B. is given all the necessary powers to carry out its task and to supervise effectively the Model functioning and observance.

Inspection powers

The C.B.'s members can at any time inspect and control, even individually. They can ask the directors and the employees for some news about specific operations carried out reporting to the C.B. during the first meeting.

To carry out specific inspections and controls, within its expenditure limitation, the C.B. can make use of advisers and assistants who are not incompatible with the features provided for the C.B.'s members.

The C.B. carries out the following inspections and controls:

- inspection of the company activity to map the risk activity by keeping it up-to-date;
- execution of checks and inspections (even sudden ones) on some operations. These checks are necessary to carry out correctly its task;
- coordination with the other company functions for an improved control of the risk areas;
- free access to all the company functions, archives and documents, without any previous consent or authorization, to obtain any necessary information, data or document;
- internal inquiry to check any possible violation of the Code of Ethics rules by the Receivers.

The Company enables the suitable dedicated communication channels and more precisely a special mailbox to facilitate signalling any Model violation, even potential ones, to the C.B. The signalling can also be sent autonomously to this email address: odv@embraco.it

All the Company employees must cooperate with the C.B.'s members, giving them in good time the information and the documents they requested and supplying any further assistance.

The violation of the above-mentioned obligations by the Company employees is a disciplinary offence; therefore, the C.B. can propose to apply sanctions in compliance with the provisions of the Organization Model, of the law and of the applicable collective labour agreements. In case the above-mentioned obligations are violated by the directors, the C.B. can report it to the Partners' Meeting and to the Sole Director. These bodies shall investigate without delay on what was reported and draw their conclusions during the Partners' Meeting.

Information flows

The obligation of informing the Body is a further instrument to facilitate the supervision on the Model effectiveness and any later control of the causes that have made it possible the occurrence of the crimes mentioned in the Decree.

The Controlling Body reports to the Sole Director and to the Partners' Meeting as to the accomplishment of Model 231 and the appearance of any critical aspect and it informs them of the results of the activities carried out to perform its task. The Controlling Body must be informed by the subjects who must comply with Model 231 of any event that could give rise to liability according to Decree law No. 231 of 2001.

Taking into account the peculiarity of the responsibility given to the C.B. and the specific professional content it requires, the C.B. is supported in its inspection and control activities by the *Internal Audit structure functions*. It could also be supported by other internal functions, such as the Legal Department or EHS, whose authority is from time to time necessary.

The information flows allowing each area to give the C.B. the information and the data requested are defined in the Special Part of this model, in each protocol, to find out the necessary information ensuring the effectiveness of the C.B.'s control activity. The instructions contained in each protocol and the corresponding transmission periodicity of the information flow are the minimum compulsory requirements for the body in question, but there is nothing to prevent the C.B. from requesting further information or a more frequent information transmission, if necessary.

Moreover, the C.B. must be informed through suitable reporting of any event that could give rise to the Company liability in compliance with the Decree. In particular this provision is contained in art. 6, 2nd paragraph, lett. d) of the Decree, imposing to inform the Body in charge of supervising the Model functioning and observance. Particularly remember that:

- it is necessary to collect the reporting of any crime commission or of the reasonable belief of crime commission or of behaviours that do not conform to the Code of Ethics;
- in case of a violation reporting (or of a supposed violation) of the code of conduct, the subject who signals the violation must contact his immediate superior. If the employee feels uncomfortable to address his immediate superior to signal the violation, he can report it to the C.B. The Agents, the Advisers and the other suppliers report directly to the C.B. as to their activity carried out for the Company;

- the subjects who report in good faith will be guaranteed against any form of retaliation, discrimination or penalty, also assuring the discretion of the signaller's identity, except for the law obligations and the protection of the rights of the Company or of the people wrongly charged and/or accused in bad faith.

In addition to the above-mentioned remarks, the following information must be immediately given to the C.B.:

- the measures and/or news coming from members of the Criminal Investigation Department, or any other authority, that highlight the performance of investigations, even towards persons unknown, for the offences;
- the legal assistance requests submitted by the employees if the prosecution is started for the offences established by the Decree;
- the reports prepared by the managers of other company functions within their control activities that can highlight facts, acts, events or omissions with critical state profiles with respect to the observance of the Decree standards;
- the news concerning the real implementation of the Organization Model pointing out the performed disciplinary proceedings and the possible inflicted sanctions, or the dismissing measures of these proceedings with the pertinent reasons;
- the reports of the certification bodies;
- the news concerning the implementation, at every Company level, of the Organization Model pointing out the performed disciplinary proceedings and the possible inflicted sanctions.
- The legal assistance requests submitted by the directors, the managers or other employees if the prosecution is started for the offences established by the Decree.
- The possible modifications to the given proxies or the occurred assignment or revocation of new proxies.

The information, remarks and reports indicated in this Organization Model are kept by the C.B. in suitable archives (file or paper) for a period of 10 (ten) years. Only the C.B.'s members and the Sole Director can have access to these archives.

In case the C.B. while carrying out its functions is informed of acts or facts that could cause a crime commission, if they are accomplished, it must inform immediately the Partners' Meeting and the Sole Director, as well as the company function immediate superior to the one that is liable for the act or the fact being accomplished, so that these subjects with their own functions and powers prevent the crime commission.

C.B.'s report to the other company functions.

The C.B. must report on the activity carried out, on the compliance to the Model, on its effectiveness and on any model update:

- continuously to the Sole Director and to the General Manager, to the CFO and to the Finance department;
- at least every six months and in writing to the board of auditors.

The C.B. will also be liable for:

- checking the implementation of the procedures described in the different protocols;
- suggesting the General Manager and the competent bodies any improvement of the existing procedures, to prevent the crime commission;
- making inspections in the different company areas, autonomously or through charged staff to keep up-to-date the crime commission risk assessment and the relevant activity mapping;
- updating the model in case of changes in the company processes or in the subjects assigned to them;
- urging the transmission of information flows, if this does not happen spontaneously;
- making periodic controls on some relevant activities and transmit the results to the top management;
- monitoring the information and training initiatives of the whole Company staff concerning the Organization Model so that it is known and understood, as well as giving the necessary explanations or updates for the effective implementation of the Model;
- collecting, working out and keeping the important information concerning the compliance with the Model.

5. SANCTIONARY SYSTEM

5.1 GENERAL PRINCIPLES

In compliance with the legislator's and the Italian Manufacturers' Association Guidelines, the Company agrees that it is necessary to adopt a suitable sanctionary system for the violation of the rules contained in the model procedures, including the prescriptions and the safety and preventive measures mentioned in the workers' safety and health system and in Embraco Code of Ethics.

Although the Company recognizes the absolute authority of Magistrates in judging and, if necessary, applying sanctions to the individuals to protect the public interest, it also believes the observance of the procedures, regulations, policies and of the Code of Ethics adopted, is an integral part of the duties of each Embraco employee, whatever his level or position in the company. Such breaches are considered as a serious damage to the confidence relationship between the worker and the company and therefore they shall be followed up by the Company, through adequate disciplinary measures, regardless of whether any criminal proceedings has been or not been instituted.

All the Company employees, the directors and the cooperators are subject to this disciplinary system.

The C.B., together with the Human Resources, shall keep all the above-mentioned subjects informed about the existence of these sanctions and their contents.

The workers' behaviours violating the rules of this Model and of the Code of Ethics are defined as disciplinary crimes.

5.2 SANCTIONS FOR EMPLOYEES AND EXECUTIVES

With reference to the sanctions for employees and executives, they are part of the sanctions provided for by the national engineering wage agreement, in compliance with the procedures provided for by article 7 of the workers' statute of rights and with any applicable special standard.

Therefore, the Company disciplinary system is made up of the civil code rules and of the pactional rules contained in the above-mentioned national wage agreement. In particular, the disciplinary system describes the behaviours subject to sanctions by evaluating the importance of each offence and the sanctions provided for the crime commission according to their seriousness.

Generally speaking the behaviours infringing the Model, with the corresponding sanctions, are the following:

- Incurs the measures of "**written warning**" the labourer who infringes the internal procedures foreseen by this Model (i.e. he does not observe the obligatory procedures, does not inform the Controlling Body about the fixed information, he does not perform controls, etc.) or holds, in the performance of activities in risk areas, a behaviour not complying with the Model prescriptions, thus seeing in these behaviours a non-performance of the instructions given by the Company.
- Also incurs the measure of "**fine**", for an amount not higher than 3 hours of the normal wage, the labourer who risks the company goods with his infringement of the internal procedures of the Model or his behaviour not complying with the Model prescriptions in the performance of activities in risk areas. These behaviours, resulting in the non-compliance with the Company prescriptions, endanger the Company goods and/or are opposed to its interests.
- Also incurs the measure of "**suspension**" from work and pay for a period not higher than 3 days the labourer who infringes the internal procedures foreseen by this Model or holds, in the performance of activities in risk areas, a behaviour not complying with the Model prescriptions, thus damaging the Company by acting against its interests, or the labourer who is recidivous for more than three times in the calendar year in non complying with points 1, 2 and 3. These behaviours, resulting in the non-compliance with the Company prescriptions, damage the Company goods and/or are opposed to its interests.

- Also incurs the measure of **"dismissal with notice"** the labourer who in the performance of the activities in crime risk areas, holds a behaviour not complying with the regulations of this Model and clearly intended to commit an offence sanctioned by the Decree, thus seeing in this behaviour a serious non-performance of the instructions given by the Company and/or a serious infringement of the labourer's duty to cooperate for the Company prosperity.
- Also incurs the measure of **"dismissal without notice"** the labourer who in the performance of the activities in crime risk areas, holds a behaviour clearly breaking the regulations of this Model, so that the Company must be charged with the concrete application of measures foreseen by the Decree, or the labourer who is recidivous for more than three times in the calendar year in non complying with point 4, thus seeing in this behaviour an act so that the company confidence towards the worker totally fails as well as an act that causes serious moral and/or material harm to the Company.

The type and extent of each of the above-mentioned sanctions will depend on:

- the wilfulness of the behaviour or the degree of negligence, imprudence or inexperience also taking into account the event predictability;
- the overall behaviour of the labourer taking into account the presence or absence of similar previous disciplinary precedents, within the limits of the law;
- the labourer's task;
- the function of the subjects involved in the non-compliance;
- the other particular circumstances accompanying the disciplinary offence.

The Company is entitled to claim damages coming from the infringement of the Model by an employee.

The application of the above-mentioned disciplinary measures for employees who are not managers is constantly monitored by the Human Resources department, which will apply sanctions on the C.B.'s report after consulting the immediate superior of the subject whose behaviour was censured.

In any case the Controlling Body shall be immediately informed of any act concerning the disciplinary procedure against a labourer who infringed this Model, since the disciplinary notification.

The Controlling Body, together with the Legal Office, shall check and assess the suitability of the disciplinary system in compliance with and in consequence of the Decree. The Controlling Body shall be suitably involved in the sanction infliction procedure due to the Model infringement, so that it will be impossible to inflict a disciplinary sanction after the Model infringement without previously informing the C.B. of the type of charge and sanction that will be inflicted.

The C.B. shall also be informed of any closure measure concerning the disciplinary procedures mentioned in this chapter.

5.3 SANCTIONS FOR MANAGERS

If managers infringe the internal procedures foreseen by this Model, or use, in the performance of the activities in crime risk areas, a behaviour not complying with the regulations of the same Model, the most suitable measures should be applied to the responsible persons, in compliance with what established by the Civil Code, the Workers' Statute of Rights and the applicable National Collective Labour Agreement of Industrial Managers. The Supervision Board shall also be entitled to propose as specific sanction the suspension of the proxies given to the manager himself.

The application of the above-mentioned disciplinary measures for managers is constantly monitored by the Human Resources department, which always informs the Sole Director.

In case of conflict of interest, the Sole Director is responsible for the application of the disciplinary measures.

The Controlling Body shall be suitably involved in the sanction infliction procedure to managers due to the Model infringement, so that it will be impossible to inflict a disciplinary sanction after the Model infringement without previously informing the C.B.

The C.B. shall also be informed of any closure measure concerning the disciplinary procedures mentioned in this chapter.

5.4 SANCTIONS FOR THE SOLE DIRECTOR

If the Model is violated by the Sole Director, the C.B. should inform the Partners' Meeting and the Board of Auditors that should take the most suitable measures in compliance with the standard in force.

5.5 SANCTIONS FOR COMMERCIAL PARTNERS, COOPERATORS, SUPPLIERS, AGENTS AND ADVISERS

As provided for by the subjection clause of third parties to the Model rules, any third party whose behaviour is in contrast with the conduct lines shown by this Organization Model and such as to involve the risk of committing an offence sanctioned by the Decree could be forced to the contract termination.

In these cases the Company is entitled to claim for damages if these behaviours damage the Company itself, as well as, just as an example, in case the sanctions provided for by the Decree are inflicted to the Company even as a precautionary measure.