



**SUSTAINABILITY
REPORT**
2015 & 2016

embraco

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GRI G4-28

Dear reader, welcome to our Sustainability Report 2015 & 2016! This publication aims to present Embraco's most important events and achievements between January 1, 2015 and December 31, 2016, as well as the economic, social and environmental impacts of our activities.

The next pages contain information about our strategy, the principles that guide us, how we produce, the profile of our talents, the impacts we generate, and all of this in a simple and integrated manner.

In order to help us gather all of these aspects into a single document, we voluntarily use – for the 13th consecutive time – the Global Reporting Initiative (GRI) guidelines, an organization created to provide a framework for reporting sustainability, which is now adopted in more than 60 countries.

We appreciate your interest and we hope you will discover new information about how we produce the cold, transform the present, and lead the future.

Good reading!



CONTENT



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Survey with Stakeholders

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The Sustainability Report is a document that aims to be interesting and relevant to all our **stakeholders**. That's why, in order to define the content – that is, to select which aspects of our operation should be addressed here – we consult these publics seeking the most relevant themes to our operation.

This survey was conducted in 2014 which involved face-to-face meetings, for more in-depth information, and online questionnaire to increase our sampling and listen to the largest number of stakeholder representatives.

Material Aspects

In order to use the input generated by the stakeholder survey and to discover what aspects they consider to be the most relevant, we place the aspects gathered during the survey onto a relevance matrix that balances our internal publics on one axis and the external on another.

The most relevant aspects for both publics (internal and external) are considered as **“material aspects”** and now drive the process of surveying and gathering information.

The result of this process identified, in this period of 2015 and 2016, the following material aspects, which guide this report:



Embraco's main stakeholders:

Shareholders, customers, companies from the Group, employees, suppliers, communities surrounding our operations and third parties.

GRI Indicators

Once the material aspects were identified, we correlated them with the GRI Guideline's aspects and selected a series of indicators that helped us address each of these issues in more depth.

Collection of these indicators was done by a transdisciplinary work group, made up of professionals from different areas of Embraco, and the information generated is marked in the text by the symbol GRI G4. It's also possible to have an overview and to know all the GRI indicators in the reference index, located on page 62.

MESSAGE FROM
LEADERSHIP



Message from Leadership

MESSAGE FROM LEADERSHIP

GRI G4-1

The world is changing fast. The refrigeration market has quickly evolved. Innovation is part of our company’s DNA and, more than just keeping up with this evolution with agility, we seek to be true protagonists of what’s to come.

Our Vision **“To be leader everywhere by 2020 and recognized by customers as the preferred partner”** is what drives our way of doing business. In the last two years, we’ve intensified the cultural transformation within the company aiming to become even simpler, more innovative and customer-centric. The challenge of doing things differently has brought new opportunities in all our units, whether in revenue generation, cost optimization or working capital improvements.

In this dynamic of transformation, we’ve maintained sustainability in our plans as an essential part of our strategy. Therefore, with the mission **to offer innovative solutions for a better quality of life**, we operate through three complementary work streams: Sustainable Products, Sustainable Value Chain and Engaged People.

With the goal to have **increasingly sustainable products**, we continuously invest in Research and Development (R&D). Our focus on transforming technology into innovation challenges us to go further and keeps us as a global benchmark in the refrigeration market.

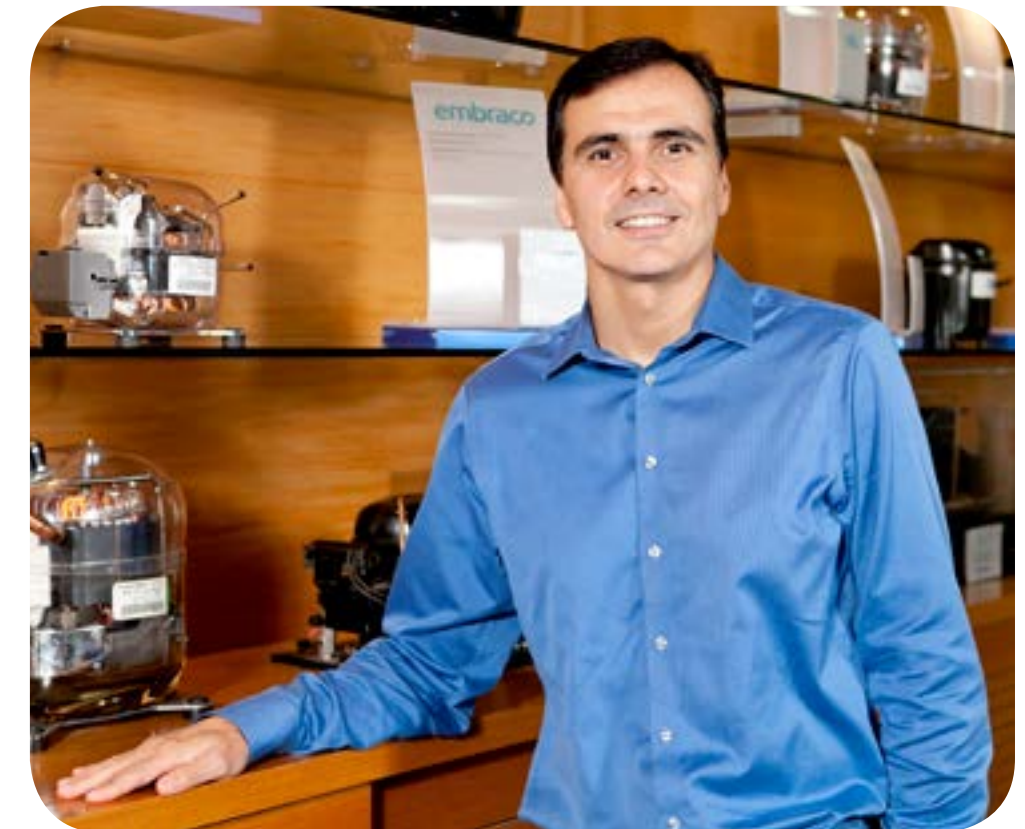
To transform our value chain in the long term, in 2015 we began a scientific study that maps and quantifies the potential environmental impacts generated by our products (before, during and after being produced and marketed), called Life Cycle Assessment. With LCA, we’ve also been able to identify critical points to further reduce our ecological footprint.

In our factories, we introduced WCM (World Class Manufacturing) to achieve the desired transformation. This is an operational excellence program, strong in people development, started in 2013, and is being deployed in all our plants. WCM showed us that it’s possible to dream about “zero”: zero defect, zero accident, zero breakdown. More than this, the methodology has taught us that it’s possible to realize this dream by integrating teams and rigorously executing the manufacturing and operations process.

Another important sustainability initiative has advanced significantly in the last two years: Nat.Genius. This operation has transformed the reverse logistics process of electro-electronic waste into a profitable business and has begun recycling several product lines, consequently helping to manage our own waste and of other customers in Brazil, Europe and North America.

We’re proud of the journey we’ve traveled so far and this has only been possible because we count on an extremely high-caliber **engaged team**, an industry benchmark, full of the spirit of winning and passionate in creating, day after day, extraordinary experiences through innovation.

We constantly seek to develop our employees through challenges – we value diversity and, above all, we attach great importance to everyone’s safety as well as the quality in everything we do in our plants.



This report’s publication gives me the chance to once again renew our commitment to the 10 Global Compact principles and to reinforce our support for the 17 Sustainable Development Goals established by the United Nations (UN).

In the next pages, you’ll have the opportunity to know in more depth the main highlights of a biennium in which we decided to reinvent ourselves and overcome barriers. And how we’re making it happen.

Luis Felipe Dau CEO Embraco



PROFILE

PROFILE

About Us

GRI G4-3 | G4-4 | G4-5 | G4-6 | G4-8 | G4-9

We're Embraco, a reference in technology for household and commercial refrigeration, with 46 years of history, and one of the world's largest manufacturers of hermetic compressors, the main component responsible for producing cold inside refrigerators.

Our compressors are used around the world in equipment such as refrigerators, freezers, as well as industrial machines such as refrigerated counters.

With global operations and annual production capacity of 40 million units, we offer solutions that are differentiated for their innovation and energy efficiency. By the end of 2016, we had approximately 11,000 employees present in seven countries.



Close to **600 people** involved in Research and Development, 120 of which are in partner universities

1,700 patents in force.

47 research laboratories on four continents

Annual R&D investment of 3% to 4% of net revenue

46 years bringing a better **quality of life** to people.

1/5 of the planet's food is preserved using **Embraco technology**



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Our principles

GRI G4-56

MISSION

To provide innovative solutions for a better quality of life.

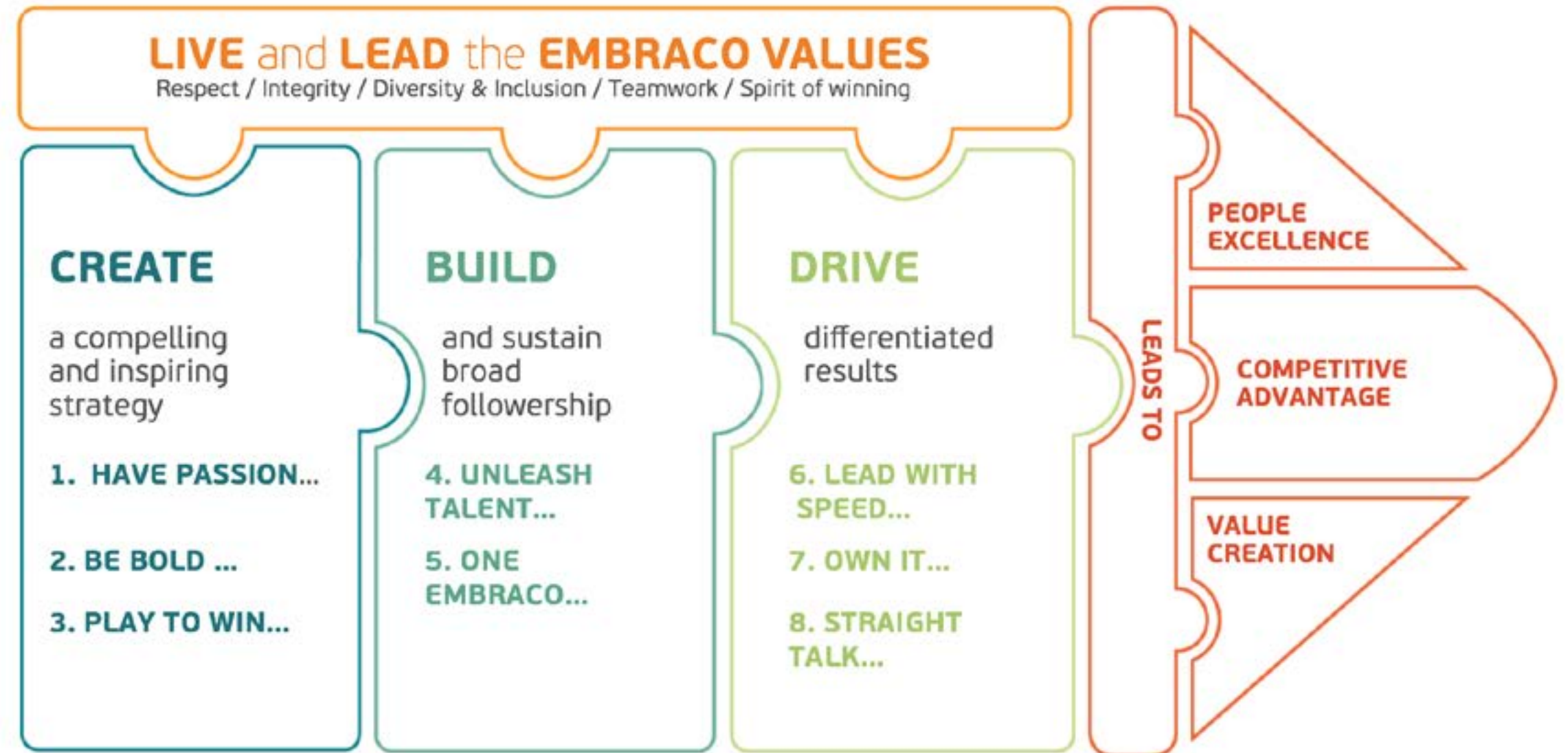
VISION

To be leader everywhere by 2020 and recognized by our customers as the preferred partner.

VALUES

- Respect
- Integrity
- Diversity & Inclusion
- Team work
- Spirit of winning

Embraco Leadership Model



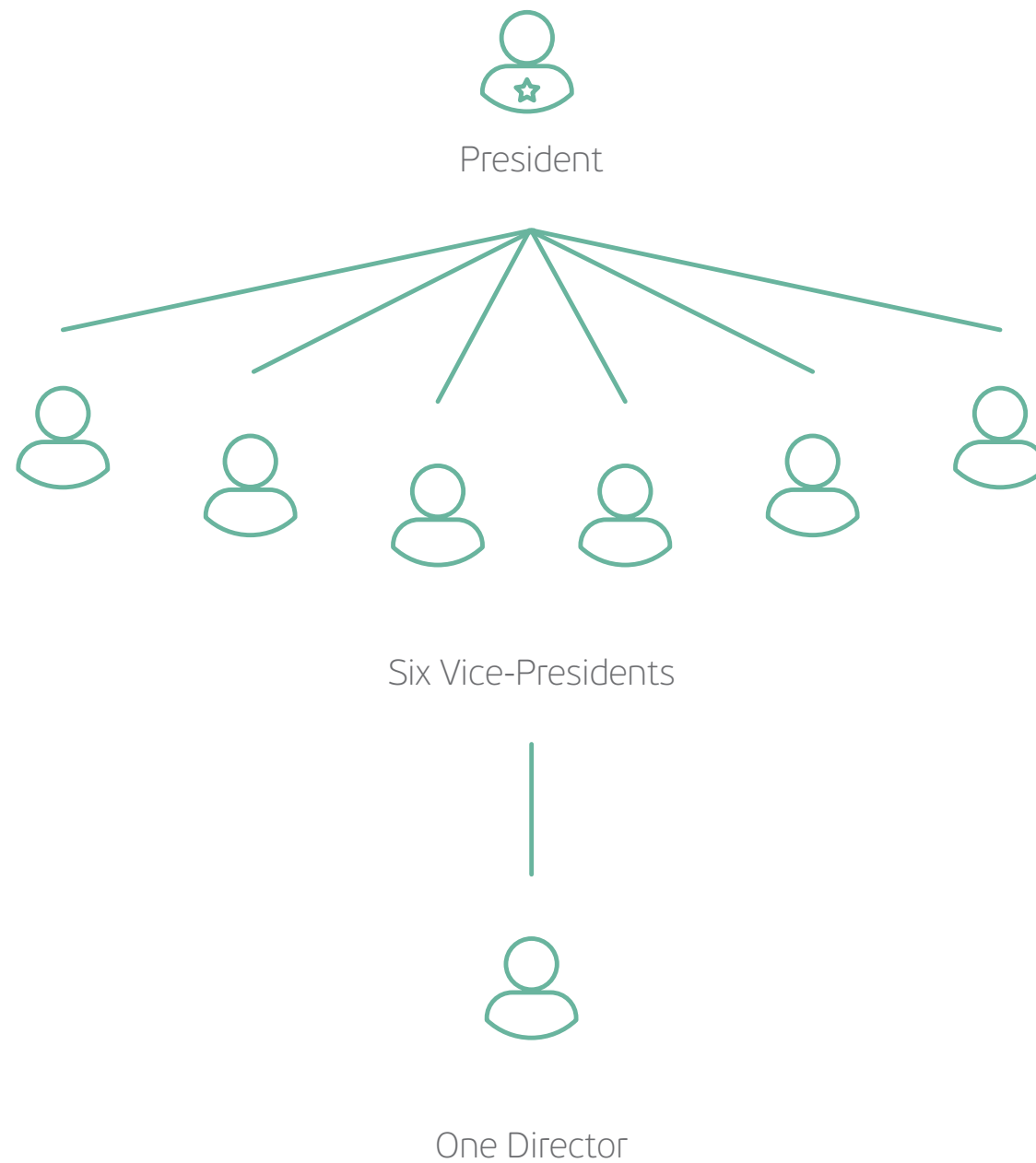
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Corporate Governance

GRI G4-34 | G4-38

We have a solid corporate governance structure that leads our business and strategy with experience and pioneering spirit. Within this structure, the highest body – and consequently the highest decision-making power – is the **president's staff**, a structure composed of the president, six vice presidents, and a director (see figure below), who are mainly responsible to monitor the performance of the organization and executives by creating directional goals that align with the company's Mission and the organization's long-term goals.

COMPOSITION OF PRESIDENT'S STAFF



CONTROLLER

In 2006, after a shareholder reorganization, we merged with the appliance manufacturer Multibrás, forming Whirlpool S.A. in Brazil. It's controlled by the North American Whirlpool Corporation, the largest household appliance manufacturer in the world. As Embraco provides refrigeration solutions to the entire market, it maintains an independent management with a strong shield policy that ensures confidentiality of information, protecting its business as well as that of its customers.

Sustainability VP

Sustainable growth and development are clear drivers of the company's strategy and of its relationship with stakeholders. That's why we have a Sustainability Vice Presidency on the president's staff. The theme is seen as a competitive differential and is part of the company's decision-making process.

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ETHICS

GRI G4-56

To discuss, manage and review issues around ethical principles that should guide the conduct of employees, suppliers and other stakeholders, we have an **Ethics Committee**, made up of representatives from the Corporate Compliance, Audit, Security and Labor Relations Departments.

To know what behaviors Embraco expects and to learn more about matters such as anti-corruption and money laundering, as well as antitrust actions, our employees also have the support of the following documents:



For operational management of the Ethics issue, we have a Compliance area, which is responsible to conduct training and communications related to the topic, periodic document analysis, reporting channels, among other continuous improvement measures.

Our suppliers also have a specific Code of Conduct, a document that directs our business chain so that they align with our principles and values.

In addition, we follow the requirements of Sarbanes-Oxley (SOX), a US law designed to reduce the risk of financial fraud, and we conduct periodic operational audits in our units.

In 2016, 100% of our leaders conducted content training linked directly to ethics. They were:

- Annual compliance certification
- Anti-corruption
- Data privacy

REPORTING CHANNELS

We provide a reporting channel to employees, suppliers, third parties and consumers, by telephone **0800-891-4247** and online, through the address: **www.whirlpoolethicshotline.com**.

We constantly carry out communication actions to inform employees about the existence and functioning of the reporting channel, reinforcing guaranteed confidentiality, anonymity and non-retaliation of those submitting a report.



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Our Transformation Strategy

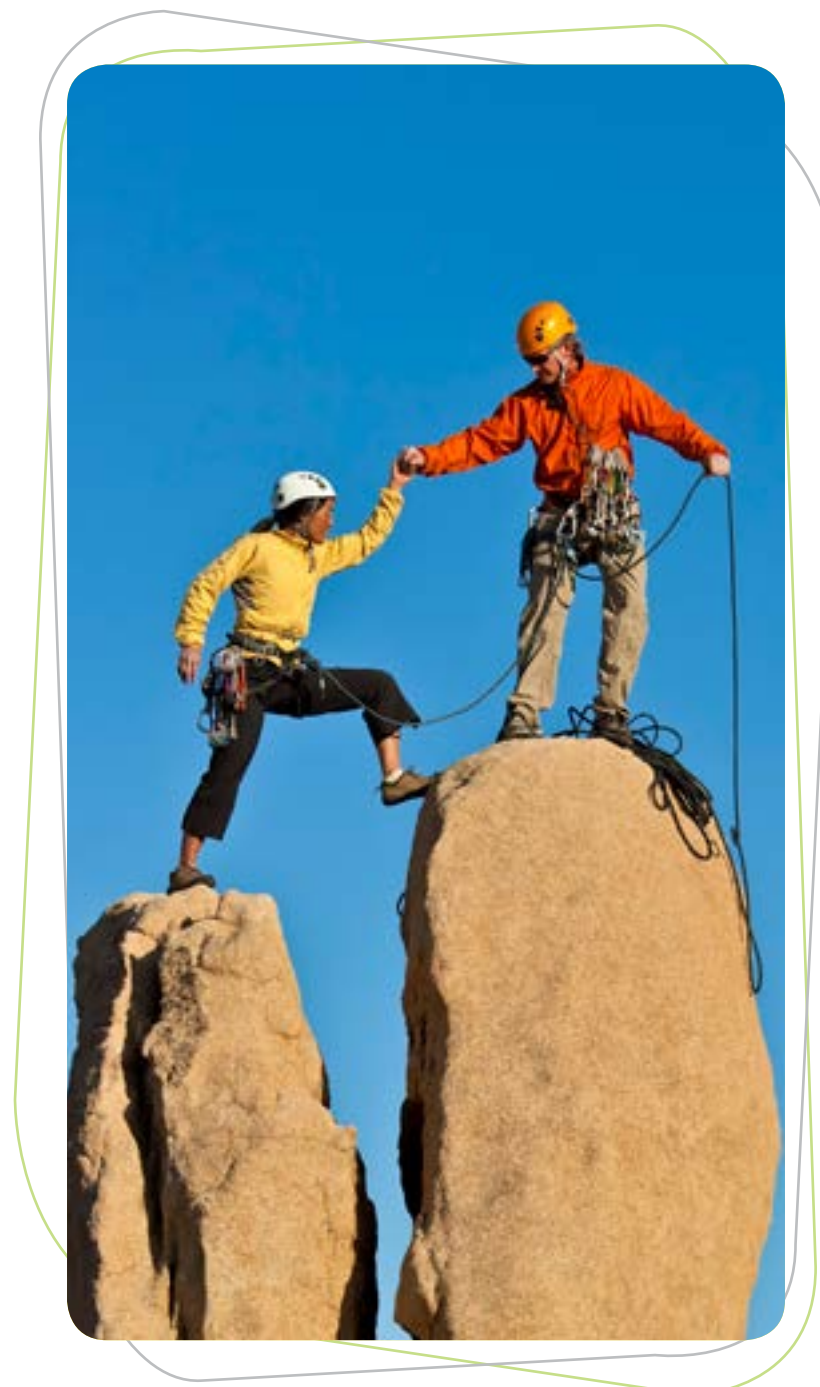
Over the years, we've become one of the world leaders in the hermetic compressor industry and a reference in innovation throughout the refrigeration market. However, staying in the comfort zone has never been part of our day to day, and we know that in order to innovate and be ahead of competitors, it's necessary to constantly dive into new challenges.

Since 2013, we've been observing a less favorable sectoral scenario, mainly due to the growth of our competitors, who have been increasingly bold. It became clear that to maintain leadership, we had to completely change our game. It was then that we decided to make a great change in strategy and pursue a new Embraco: **simpler, more innovative and one that has the customer at the center of all discussions and decisions.**

With these values in mind, we initiated a cultural transformation that aimed to change the way we make decisions, manage processes, and explore new possibilities. For this change in mentality to succeed, we needed to directly interfere with how our people viewed day-to-day opportunities and thus generate more determination and energy.

This is how **Transformation** came about, an ongoing transformation project that reflects the desire and need for change to ensure the sustainability and growth of our business.

To achieve this transformation, the Program uses a bias towards action by establishing work streams and intensive approaches to reach short-term results – and to shape our culture in the long run.



HOW IT WORKS

We established 12 work streams in which we diagnosed that there was room for improvement through the transformation of processes, systems, products, logistics and other factors. From then on, executives and employees from different areas formed working groups and began to hold weekly meetings to draw up and execute an action plan based – mainly – on changing corporate behavior.

In order to have an idea of the dimension of the project's intensity, between 2015 and 2016 we involved more than 400 professionals, who performed more than three thousand actions globally, encompassing all our plants and offices, and dozens of areas in Embraco.

Parallel to this process, another group of professionals began meeting weekly to discuss our culture and find the best ways to foster a mindset of constant transformation. Our goal is to shorten change cycles to provide the market with an ever-faster response to their demands.

VISION OF THE FUTURE

In 2017, Transformation begins a new cycle and focuses on new points and aspects of our operation. We believe that this continuous search for improvement will build an organization that is increasingly more agile and able to offer the best solutions, in the best response time, while at the same time creating a work environment where all our talents are motivated and engaged to always overcome challenges.

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Business Segments

To become leader everywhere by 2020 and gain the position of preferred partner by our customers, we consistently invest in improving our products and processes. Every day, we look to anticipate market trends, bringing the most modern technologies to customers and final-consumers to make their life better. To achieve our goals, in 2015 and 2016, we continued operating in our **Core Business** and **Business Innovation** segments.

CORE BUSINESS

We produce compressors and condensing units for refrigeration that preserve the food of thousands of families and commercial establishments around the world. To better serve our customers, we have three segments linked to the core business:



HOUSEHOLD REFRIGERATION



Hermetic compressors for cooling household freezers, refrigerators and mini-fridges.



COMMERCIAL REFRIGERATION



Dedicated to producing hermetic compressors, condensing units and sealed units for commercial establishments, which can be used in equipment such as wine coolers, supermarket and bakery refrigerated exhibitors, medical and scientific equipment, among others.



DISTRIBUTION AND RETAIL



We also have a segment focused on distributing replacement parts to distributors, retailers, installers and contractors – the professionals who perform the equipment maintenance in homes and commercial establishments (more information on page 32).

BUSINESS INNOVATION

Reinforcing our leadership culture, we invest in other business areas that aim to anticipate market trends and diversify our business model. In the Business Innovation operation, we identified five promising markets: Energy Management, Refrigeration, Internet of Things, Food Preservation and Recycling. The following stand out:

NAT.GENIUS

With the Nat.Genius operation we generate revenue through reverse logistics and recycling compressors and electro-electronics (more information on page 33).

PARTNERSHIP WITH DORIN

In 2016, we entered into a commercial agreement with Dorin, the Italian semi-hermetic compressor manufacturer with a strong presence in Europe. Through this business, we began distributing Dorin products in the Brazilian market and, in this way, we enriched our portfolio, which now includes large-scale solutions such as refrigeration systems for supermarkets, transportation, cold storage among other applications.

START UPS

In 2016, we acquired the Brazilian startup UpPoints, which developed an innovative system of image recognition and product sales performance analysis at the point of sale as well as consumer behavior through a camera that captures images from the store shelf and sends data and information in real time for companies to base their strategic decisions.

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Products and Technologies

GRI G4-EN7

WISEMOTION

HOUSEHOLD | COMMERCIAL

Launched in 2014, Wisemotion is the first oil-free hermetic compressor for household refrigerators – since it uses the refrigerant itself to lubricate the parts. In addition, the solution uses approximately 50% less raw material than conventional compressors and saves 20% in the refrigerant charge.

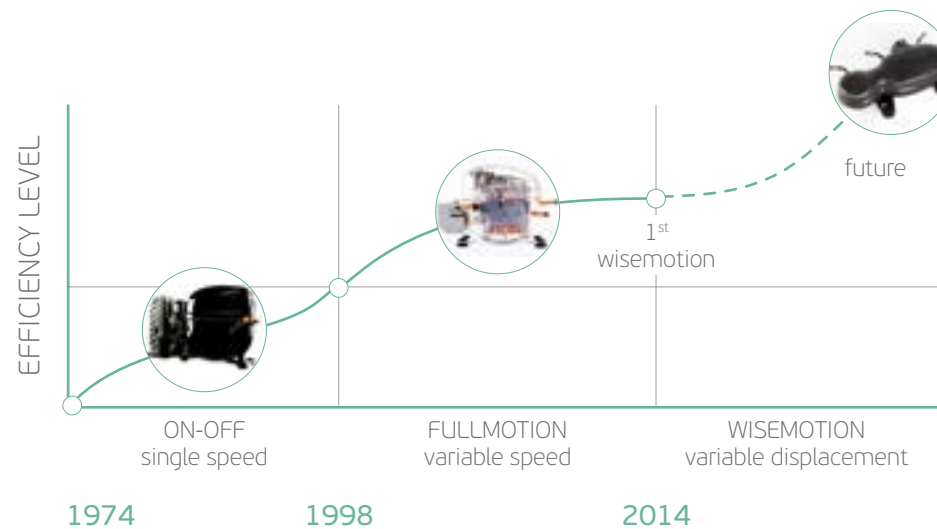
Because it's smaller, Wisemotion saves internal space in the refrigerator, providing up to an additional 20 liters in the equipment. Its handling on the assembly line is easier and, by eliminating the use of lubricant oil, it offers more flexibility in transport and inventory, since it allows storage in several positions, benefiting the logistic chain. Moreover, Wisemotion is 20% more efficient than the best-selling high-efficiency compressors in the world.

The technology also allows better food conservation by automatically regulating its power according to the refrigerator's demand, and brings a modern noise control solution, making the traditional refrigerators' "on-off" noise almost imperceptible to the human ear.

As we've confirmed through the Life Cycle Assessment tool (more information on page 18), taking into account all these features, Wisemotion generates 30% less negative environmental impacts when compared, for example, to the efficient Fullmotion technology.

EVOLUTION OF EFFICIENCY

Wisemotion was already designed with an efficiency similar to the top-of-the-line Fullmotion compressors. And this technology will evolve even more! Our R&D professionals are continuously working to increase its efficiency in the coming years.



NEW APPLICATION POSSIBILITIES

Wisemotion can be applied in Renewable Energy Source systems, as it offers the following features:

LOWER STARTING POWER

Wisemotion's oil-free linear mechanism doesn't require a large power surge to turn it on

BENEFITS

- Smaller batteries
- Smaller solar panels
- Longer battery life



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FULLMOTION

HOUSEHOLD | COMMERCIAL

Launched in 1998, Embraco Fullmotion Inverter is variable speed compressor technology. Among its benefits are a decrease by up to 40% in electric energy consumption, noise reduction and better food preservation.

In a market increasingly focused on energy consumption and new energy regulations, Fullmotion has been gaining a great deal of space and meeting consumers' needs. Among the products that rely on this technology, the following stand out:

VESF

The most efficient and quietest among Fullmotion compressors. Thanks to its reduced minimum speed of 950 rpm (rotation per minute), VESF is able to reduce the refrigerators' energy consumption by more than 25% – when compared to conventional technology - and achieve a noise level lower than a library.



ON-OFF

HOUSEHOLD | COMMERCIAL

On-Off compressors have won the trust of our customers and end-users. Launched over 40 years ago, solutions with this technology have continued to evolve to comply with energy regulations, serving a large part of the market. Among the products with this technology, the following stand out:

EME

Since the first generation of EME, we've made compressors of this line increasingly more efficient, quieter and with less oil. The EME household refrigeration compressor brings an energy efficiency gain of up to 5% when compared to its predecessor.

EMC

The EMC is one of the world's most efficient single speed compressors. With commercial application, the product uses R290, a natural refrigerant that doesn't impact the ozone layer and doesn't contribute to global warming significantly. In addition, this compressor consumes up to 30% less energy than its predecessors.

The EMC was designed to equip beverage coolers, automatic vending machines, under-counters and reach-ins. By being smaller and reaching the same capacity of compressors that are generally larger, the compressor makes more internal space available in refrigerators.

MORE EFFICIENCY, LESS IMPACT

To evaluate the technology's environmental impact we made the following calculation: if we add up all Fullmotion compressors sold in the last 10 years, we generate an energy savings equivalent to nine billion KWh (when compared to using conventional compressors). This amount of energy could supply, for example, all of Croatia for six months.

FULLMOTION X

Fullmotion X is a compressor that will significantly contribute towards making Fullmotion Inverter technology mainstream in the global refrigeration market since it has simple communication and Plug & Play, which allows it to replace, for example, On-Off compressors without the need to change anything in the refrigerator.



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PLUG N' COOL

COMMERCIAL

Simple and compact, Plug n' Cool is a commercial refrigeration sealed unit, in other words, a complete cooling system, which aims to optimize resources (operational time and cost) in installation and maintenance. The technology enables the use of the R290 natural refrigerant, which allows our customers to meet global efficiency and refrigerant standards.

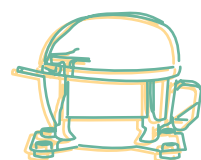


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Sustainability

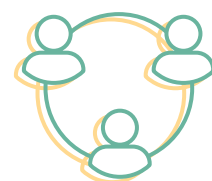
GRI G4-2

For us, Sustainability goes beyond developing smart solutions and continuous improvement, being present also throughout our value chain – including employees and suppliers. In our Vision, relationships and processes need to be sustainable as well as products and manufacturing plants. Additionally, we believe in our potential to transform realities in the communities that live around our plants and offices globally. With these principles in mind, we develop sustainability through three workstreams:



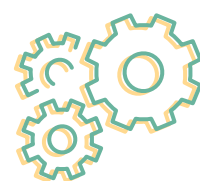
SUSTAINABLE PRODUCTS

We seek to create products that, throughout their life cycle, have lower negative impact on the environment and society. Within this context we invest in developing innovative solutions, in which energy efficiency and reducing the use of raw materials are paramount.



ENGAGED PEOPLE

We develop and engage employees in our culture to promote their safety and professional growth, value our diversity and contribute to the communities in which we are located through social programs and volunteer work.



SUSTAINABLE VALUE CHAIN

Our sustainability Vision extends throughout our value chain, from the raw material to the end of the useful life of our products. In the supply chain, we work in partnership with our suppliers so that they incorporate the sustainability principles into their daily practices. In post-consumption, we have a circular economy program that promotes recycling the product after being discarded by the final consumer.

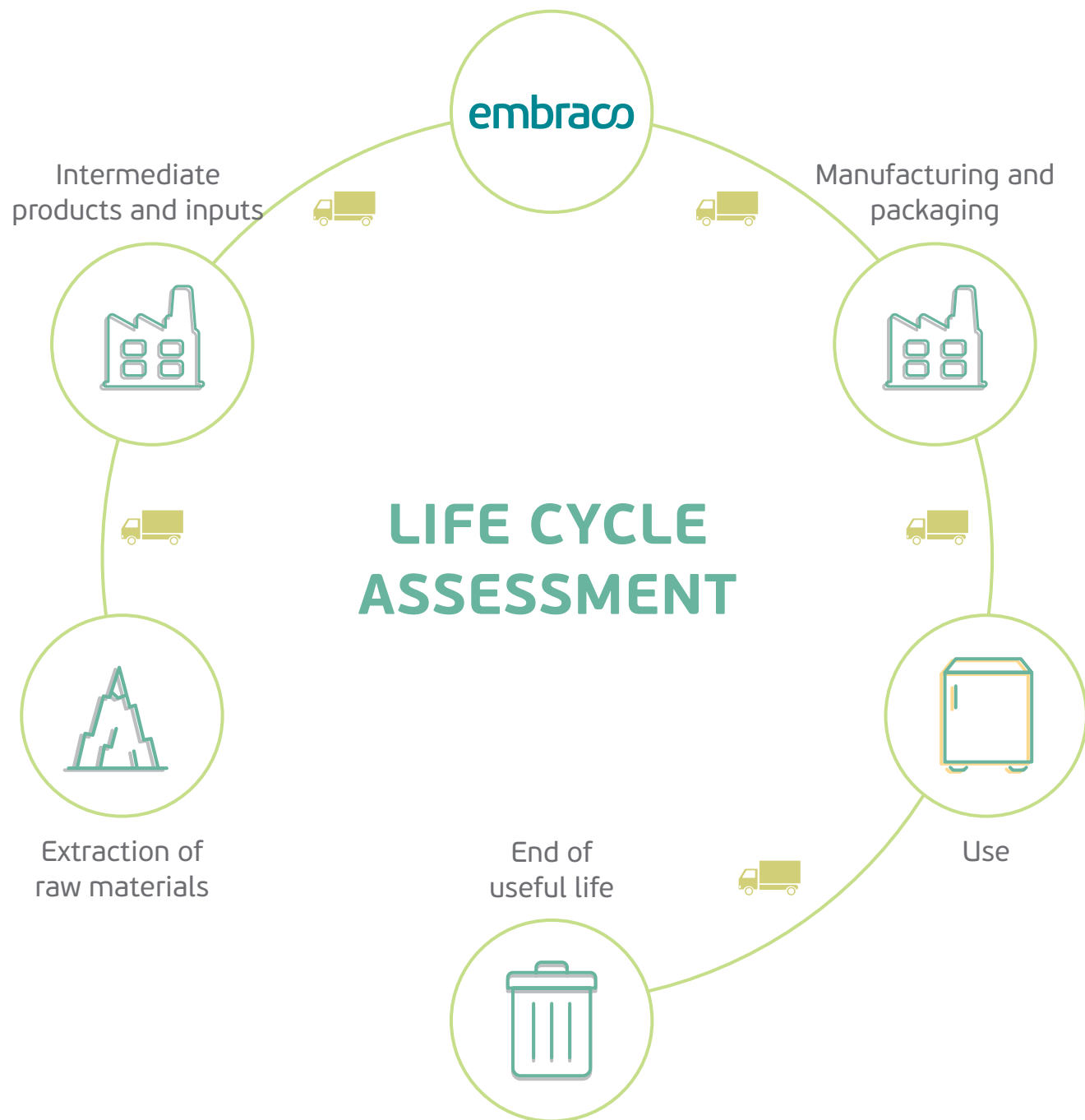


EXAME SUSTAINABILITY GUIDE

In 2016, we participated for the seventh time in the ranking of Brazil's most sustainable companies, according to the Exame Sustainability Guide. This time, we were recognized for the Zero Landfill Project, focused on solid waste management in the electro-electronics sector (more information on page 42).

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SUSTAINABILITY IN THE VALUE CHAIN



LIFE CYCLE OF OUR PRODUCTS

In 2015, we began an in-depth study on the environmental aspects and impacts of our products, considering a science-based approach: Life Cycle Assessment (LCA).

According to the standards defined in the ISO 14000 series, LCA aims to quantify the potential environmental impacts of a product or service from the extraction of raw materials, through manufacturing, its use and final destination, that is, covering its entire life cycle.

To carry out this study, we counted on the Inova Talents Program and partnerships with research laboratories from the Federal University of Santa Catarina (UFSC), such as Ciclog – one of Brazil’s most renowned LCA research groups. We’re also part of the Brazilian Business Network for Life Cycle Assessment (LCA Network), an environment of cooperation among companies interested in using LCA in Brazil.

Applying LCA allows us to:

- identify critical points in the compressor’s life cycle, **driving our efforts** to deliver increasingly sustainable products;
- promote to our areas a holistic view of our products, so that they can recognize their contribution to the chain as a whole, **strengthening engagement and collaborative work** among the areas;
- **stimulate** the product development team’s **creativity** to innovate in an even more sustainable manner.

This way, conducting LCA studies connects and further reinforces our sustainability work streams: engaged people, sustainable value chain and sustainable products.

And this is just the beginning! The outcomes of this study have generated new opportunities for us to apply life-cycle thinking, such as developing new environmental indicators, which will be integrated into the design of new products to ensure even more sustainable choices – based on scientific criteria – from the beginning of the process.

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COMMITMENTS TO SUSTAINABILITY

GRI G4-15



Aligned with these pillars, we have been signatories of the **Global Compact** since 2004 and we support the **17 Sustainable Development Goals (SDG)**, both initiatives proposed by the United Nations (UN), which are explained in more detail on the side.

Sustainable Energy for All: in 2012, we became the first company based in Brazil to sign the commitment proposed by the UN that promotes access to energy, increase global energy efficiency and increase the share of renewable sources in the energy matrix.

Letter of Commitment for Sustainable Solid Waste Management: created by the Ethos Institute, it reinforces the commitment to sustainable development and the implementation of the National Solid Waste Policy.

Brazilian GHG Protocol: in 2016, we mapped our operation's greenhouse gas emissions for the fifth consecutive year (more information on page 40).

Gender and Race Pro Equity program: in 2016, we signed the Commitment Agreement of the Program's 6th edition, organized by the Brazilian government, which proposes new conceptions in people management and organizational culture to achieve gender and race equality in the labor market.

GLOBAL COMPACT PRINCIPLES



RESPECT
and support internationally recognized human rights in your area of influence



ENSURE
that your company does not participate in any way in the violation of human rights



SUPPORT
freedom of association and recognize to open collective bargaining



ELIMINATE
all forms of forced or compulsory labor



ERRADICATE
all forms of child labor in your productive chain



STIMULATE
all practices that eliminate any form of discrimination at the workplace



ASSUME
a responsible, preventive and proactive posture towards environmental challenges



DEVELOP
initiatives and practices to promote and divulge socioenvironmental responsibility



PROMOTE
the development and dissemination of environmentally responsible technologies

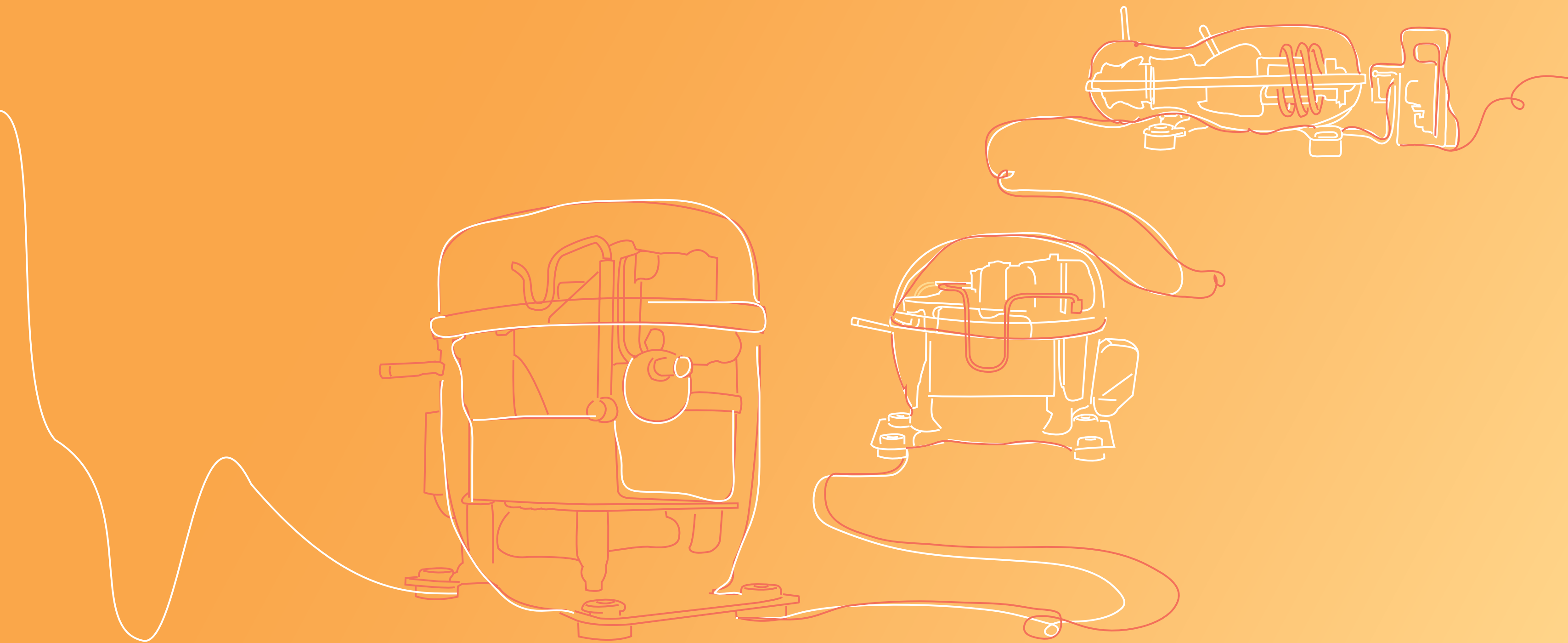


FIGHT
corruption in all of its forms, including extortion and bribery

SUSTAINABLE DEVELOPMENT GOALS



INNOVATION FOR **SUSTAINABILITY**



Partnerships for Innovation

Innovation Compass

INNOVATION FOR SUSTAINABILITY

Innovation is at the center of our strategy and encompasses not only the development of new compressors, but also new business models, services and processes.

We are a global benchmark in the refrigeration industry and we challenge ourselves daily to be at the forefront of the market in **developing new technologies.**

Every year, we invest 3% to 4% of our total revenue in the Research & Development (R&D) area, which has more than 600 professionals – 120 in partnerships with universities – and 47 laboratories, located on four continents. In return, 59% of the revenue of the last five years comes from products launched in this same period.

Currently, we have more than 1,700 patents registered globally.

EMBRACO INNOVATION AWARD

Since 2011, we've held the **Embraco Innovation Award**, an award that encourages Chinese students and researchers to develop high energy efficiency cooling solutions. In 2016, the award received 234 projects from 84 universities and 14 Chinese companies – a number 300% higher than the previous edition.

Partnerships for Innovation

In addition to investing in our R&D area, we seek innovation from strategic relationships with universities and customers.

We contribute significantly to research in Refrigeration – we've already produced more than 100 scientific articles on the subject – and we work in partnership with universities that are world references in engineering.

They include:

- Federal University of Santa Catarina (Brazil)
- University of the State of Santa Catarina (Brazil)
- SENAI Institutes of Innovation (Brazil)
- SENAI Institutes of Technology (Brazil)
- Regional University of Blumenau (Brazil)
- Unisociesc (Brazil)
- Instituto Euvaldo Lodi (Brazil)
- Politehnica University Timisoara (Romania)
- Fraunhofer Institute (Germany)
- RWTH Aachen University (Germany)
- University of Illinois (USA)
- University of Glasgow (United Kingdom)
- University of Shanghai (China)



Transformation and R&D

The Transformation team has been working alongside the R&D area to shorten the development cycle. Since the action was initiated, the time between the creation and the production of a new product went from 35 to 16 months.



Press photo Hub/UFSC

Partnerships for Innovation

Innovation Compass

RECOGNIZED INNOVATION

In the last two years, we received several awards that recognized our work in R&D:

2015

- Finep Innovation Award, the most important recognition of innovation in Brazil, in the Large Company category;
- 3rd place in the Stemmer Catarinense Innovation Award, in the Innovation Protagonist category, with the Wisemotion case;
- 2nd place in the Brazil-Germany Innovation Award, in the Innovation Challenge category, with the Wisemotion case;
- 10th place in Best Innovator award, promoted by AT Kearney;
- Anpei Technology Innovation Conference, in the Exhibition of Innovative cases category;
- AHR Innovation Award, in the Refrigeration category;
- Innovation Champions Award, promoted by Amanhã Magazine; and
- 3rd place in the Innovation Ranking Brazil 2015, promoted by Valor Econômico newspaper and Strategy& Consulting, in the capital goods sector.

2016

- We were the national champion of Innovation in Slovakia with the NEU and EME compressor cases, in an award offered by European Business Award.
- Brazil 2016 Innovation Ranking, promoted by Valor Econômico newspaper and Strategy& Consulting, in which we were elected the third most innovative company in the capital goods sector and 9th in the overall ranking (jump of 15 positions compared to 2015).

SECTOR DEVELOPMENT

GRI G4-16

We actively participate in formulating public policies that contribute to developing our industry, focused on issues related to innovation, energy efficiency, professional development and regulation of the refrigeration sector. We also partner with research centers and universities in the countries where we are present in order to develop new technologies applied to our products and processes. Among the main organizations that count on our cooperation include:

- American Chamber of Commerce in Slovakia;
- Brazilian Electrical and Electronic Industry Association (Abinee);
- Brazilian Association of Advertisers (ABA);
- Brazilian Foundry Association (Abifa);
- Brazilian Association of Industrial Internet (ABII);
- Brazilian Association of Technical Standards (ABNT);
- Brazilian Human Resources Association (ABRH);
- Brazilian Refrigeration, Air Conditioning, Ventilation and Heating Association (Abrava);
- Itaiópolis Commercial and Industrial Association (ACII);
- Association of the Equipment and Electrotechnical Industry - Slovakia;
- Brazilian Foreign Trade Association (AEB);
- Occupational Health and Safety Professionals Association of Joinville and Region (APSSOJ);
- Joinville Business Association (ACIJ);
- Latin American Electrical and Electronic Industrial Association (Alainee);
- National Association of Manufacturers of Electro-electronic Products (Eletros);
- National Research, Development and Engineering Association of Innovative Companies (Anpei)
- Human Resource Development Association – Slovakia;
- Business Leaders Forum – Slovakia;
- American Chamber of Commerce - Slovakia;
- Electricity Utility Company of Santa Catarina (Celesc);
- Center of Industries of the State of Santa Catarina (Ciesc);
- Joinville Architect and Engineer Center (Ceaj);
- Joinville – Spisská Nová Vês Sister City Committee;
- National Confederation of Industry / Brazilian Business Coalition;
- National Council for Scientific and Technological Development (CNPq);
- Federation of Industries of Santa Catarina (Fiesc);
- Federation of Industries of São Paulo (Fiesp); and
- International Electrotechnical Commission (IEC).

Partnerships for Innovation

Innovation Compass

BRAZILIAN ASSOCIATION OF INDUSTRIAL INTERNET

In 2016, we became co-founders of the Brazilian Association of Industrial Internet (ABII), an organization created to promote growth and strengthen industrial internet in Brazil.

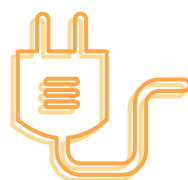
Through the ABII, we'll have the opportunity to discuss and share challenges, learnings, and initiatives to inspire the use of embedded technology in products. It's important to remember that the region of Joinville (Brazil), where we have our headquarters is a hub for technology development, with many skilled talents.

The concept of Industrial Internet is an adaptation of the Internet of Things (IoT) and is closely connected to Industry 4.0, a movement considered the fourth industrial revolution, which aims to ensure the competitiveness of manufacturing in an increasingly dynamic global market.

By co-founding ABII, we aspire to bring together IT companies, industries and educational institutions to create integrated and innovative technological solutions for society's demands.

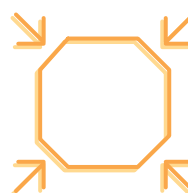
Innovation Compass

When we develop new technologies, we seek to meet the needs of our customers and their final consumers. For this, when we think about innovating, we think about:



ENERGY EFFICIENCY
GRI G4 EN7

Aiming to reduce energy consumption and bring more comfort and well-being to the consumer, we work to achieve high levels of energy efficiency in our products, which in addition to reducing the consumer's energy costs, reduces their environmental impact.



MINIATURIZATION

We strive to create increasingly smaller and lighter products, demanding fewer raw materials. Because of this goal, in 2015 and 2016 we saved close to 7,000 tons of material in our global production.



NATURAL REFRIGERANTS

We are pioneers in using natural refrigerants that, when compared to other fluids, have negligible contribution to global warming and are harmless to the ozone layer. In addition to these benefits, natural refrigerants also contribute significantly to reduce energy consumption. We adopted propane (R290) as a refrigerant and, in addition to the environmental benefits, we helped our customers manage the risk of any possible regulations that may arise in the market.



COST REDUCTION

An essential factor for an increasingly competitive market, we've sought to reduce our production cost by investing in improving operational and administrative processes.

Partnerships for Innovation

Innovation Compass

NATURAL REFRIGERANTS



R290 RESULTS

We used R290 (instead of R404A) in three applications and had the following results by unit:

Ice cream freezer: R290 generated a 16% reduction in energy expenditure, which means a real gain of US\$ 26 per year for the consumer and 1,954 kg less CO₂ in the atmosphere in 10 years.

Point-of-sale glass door freezer: R290 provided a 32% energy reduction, a real gain of US\$ 38 per year for the retailer, and 2,277 kg of CO₂ emission was avoided over 10 years.

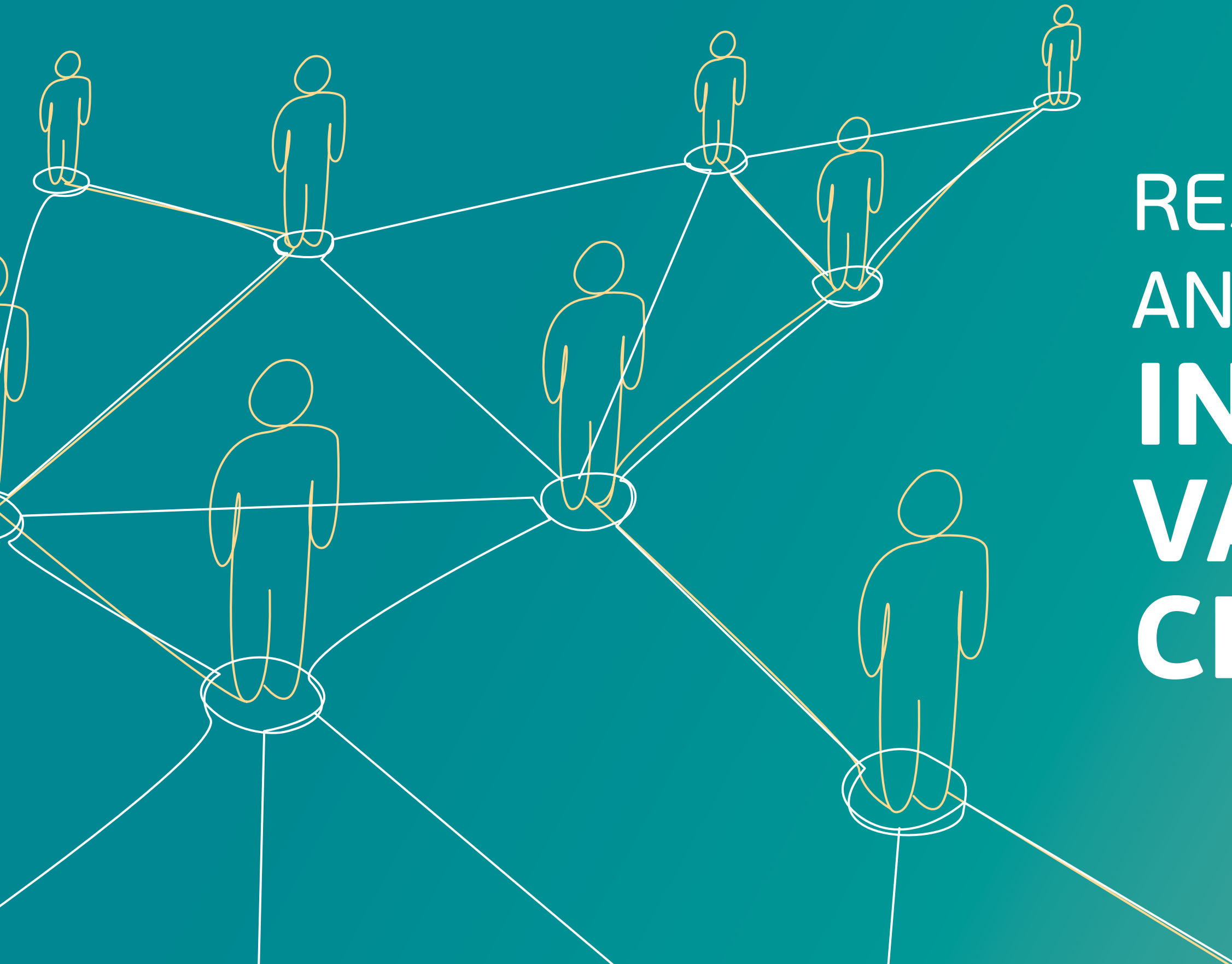
Vertical freezer: 43% reduction in electricity consumption, representing savings of US\$ 226 per year, and 12,764 kg of CO₂ less in the atmosphere in 10 years.



HIGHLIGHT IN NATURAL REFRIGERANTS

Marek Zgliczynski, our Commercial Refrigeration and Product Engineering Manager in Europe, was recognized by the scientific journal Accelerate America as one of the 25 most important people in North America to advance the adoption of natural refrigerants. The recognition was due to the work developed by Marek, who has promoted globally the use of this class of refrigerants.





RESPONSIBILITY
AND EFFICIENCY
**IN THE
VALUE
CHAIN**

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RESPONSIBILITY AND EFFICIENCY IN THE VALUE CHAIN

We're committed to sustainable development and it's part of our business strategy to analyze the entire value chain of our products in search of opportunities to increase our efficiency and reduce our direct and indirect impacts. For this reason, in 2015 we introduced a Life Cycle Assessment (LCA) study, which maps the environmental impacts generated by our products throughout their value chain (more information on page 18).

Following this commitment, in addition to producing increasingly efficient products and with less raw material, we seek to act in other links in the chain to contribute to a process that offers less and less social and environmental impacts. In the next few lines we'll discuss a little about what we've accomplished in the last two years to have an increasingly sustainable value chain.

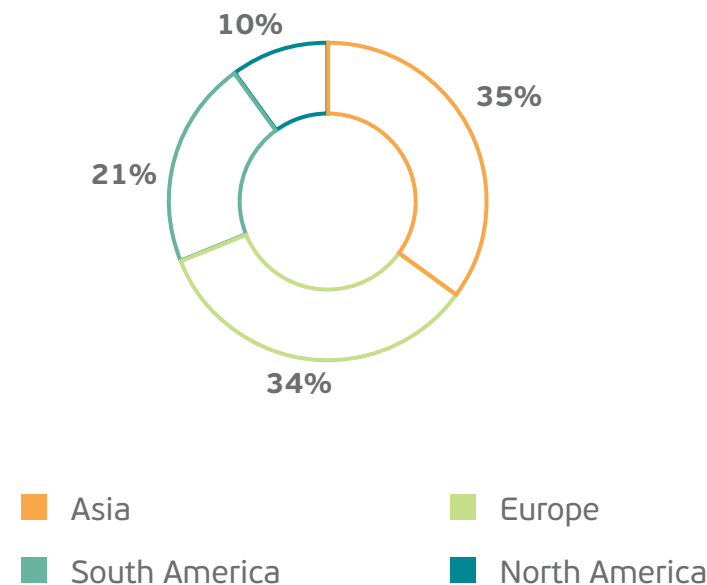
Suppliers

GRI G4-12 | G4-HR11

In 2016, we worked with 390 direct materials suppliers, present on four continents. In order to leverage our key suppliers, since 2012 we've developed the Supplier Excellence Program that offers workshops and multidisciplinary work to improve the performance of our chain in aspects related to service, quality, costs and sustainability, thus generating more competitive advantage.

In the last two years, we've consolidated the Supplier Excellence Program in order to transform it into a standard Embraco process. To do this, we reformulated our Supplier Excellence guidelines to align them with the World Class Manufacturing methodology (more information about WCM on page 29) and to track its expansion to the supplier's public, thereby creating a World Class Supply Chain.

GEOGRAPHICAL DISTRIBUTION OF SUPPLIERS IN 2016



Transformation and Procurement

The Transformation team has also worked with the Procurement area to develop a Global Certification project, designed to integrate and simplify the approval and development process of new suppliers.

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STIMULATING BEST PRACTICES

GRI G4-EN32 | G4-HR10 | G4-LA14

Our work with suppliers also involves stimulating best sustainability practices, since we require 100% adherence to our Code of Conduct for new suppliers. Explained in this document are, besides anti-corruption issues, our non-tolerance of child labor, slave-like labor, discrimination, deforestation or other environmental infractions, non-compliance with labor laws in the country, and other issues sensitive to sustainability.

BIENNIAL SELF-ASSESSMENT

GRI G4-EN33 | G4-HR11 | G4-LA15

To map actual and potential risks in the value chain, we use a Self-Assessment process, which assesses the adherence of our suppliers to our ethical principles (which includes issues related to environmental impacts, respect for human rights and labor issues) through a questionnaire that contains questions about their profile, labor relations, environmental impacts and their supply chain.

In 2013, we mapped the entire supplier base and in 2015/2016 we carried a work to improve these companies with action plans and visits – whenever appropriate.

In the last two years, no significant negative (actual or potential) impacts regarding labor practices, human rights and the environment were found in our supply chain.

SUPPLIER DAY

Once a year, we bring together the main companies in our supply chain to hold Supplier Day, a global relationship event that aims to engage and recognize this strategic public in our values and our Vision to be leader everywhere by 2020.

Between 2015 and 2016, more than 160 suppliers participated in the events held in China, Brazil, Slovakia and Mexico, and were able to discuss topics highly relevant to our business, such as efficiency using natural resources, utilizing natural refrigerants and developing increasingly more sustainable products.

The suppliers' public is essential to achieve operational excellence in WCM, so we take advantage of the event's to present success stories in which we recognize supplier companies that have aligned themselves with our strategy and achieved extraordinary results by implementing WCM principles.

Additionally, as a form of recognition, during Supplier Day we award the best companies of the year, following the evaluation criteria: quality, logistics, cooperation and sustainability.



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Revolutionizing our way of producing

Since 2013, we've adopted in our operations the World Class Manufacturing (WCM) methodology, a management program aimed at pursuing globally operational excellence through continuous improvement and simplification of the production process.

Three years after its implementation began, WCM has proven to be an important lever in our sustainability strategy, since the methodology requires a holistic view of all employees and encourages integration among our different areas, which work together to overcome challenges, improve their processes, promote safe behavior and achieve higher operational standards and results.

WCM acts directly on ten technical pillars, through seven management steps (see figure below), and has direct impacts on productivity, quality, safety and environment, through the continuous pursuit for ZERO: **zero accident, zero defect, zero scrap, zero loss and zero waste.**



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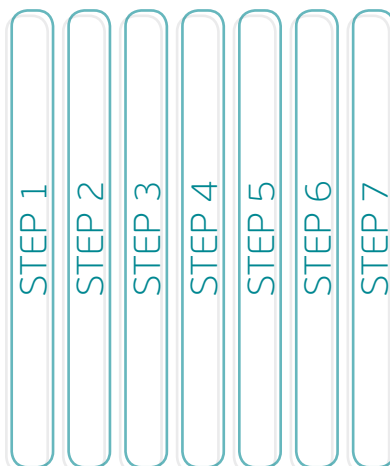
Innovation in Circular Economy

WCM METHODOLOGY

7 STEPS

10 PILLARS

1. SAFETY
2. COST DEPLOYMENT
3. FOCUSED IMPROVEMENT
4. AUTONOMOUS ACTIVITIES
5. PROFESSIONAL MAINTENANCE
6. QUALITY CONTROL
7. LOGISTICS
8. EARLY EQUIPMENT MANAGEMENT
9. PEOPLE DEVELOPMENT
10. ENVIRONMENT & ENERGY



By the end of 2016, all of our plants had already implemented WCM – at different maturation levels. The compressor plants in Italy, Brazil and Slovakia were the first to work with the methodology, and already show significant results. You can learn more about our environmental and safety performance, respectively on pages 37 and 52.



By applying the methodology, in the last two years, we simultaneously improved our productivity and quality management. With WCM's introduction, in addition to reducing the incidence of defects, we began to perceive zero defect through a work that even involved engagement and development of our suppliers so that they develop themselves and collaborate with our objectives.



Transformation and WCM

Transformation and WCM have created great synergy. By working to bring more simplicity and agility to our culture and thus facilitate all change processes, Transformation has accelerated and enhanced WCM implementation in the plants.

PARTNERSHIP WITH JURAN INSTITUTE

In early 2016 in the constant pursuit to improve our quality, we sought Juran Institute. Created in 1979, the institute is named after its founder, Dr. Joseph Juran (1904-2008), one of the world's leading references when it comes to quality management and whose ideas have a strong influence on our production process.

Between March and October, the Juran Institute conducted an assessment in all of our compressor and electronics factories, covering the entire manufacturing process – including WCM. At the end of this period, we received the result of this study that pointed out our strengths (where we are a benchmark in addressing quality – according to the study) and also brought improvement suggestions so that we can evolve and better serve our customers with lower production costs.

QUALITY CONTROL CIRCLE (QCC)

Since 1997, our operation's quality in Brazil has been supported by Quality Control Circles (QCC), a voluntary program through which hourly employees organize themselves into groups to identify possible faults and create simple, creative and effective solutions.

Created to stimulate and value the creative potential of professionals committed to excellence, the program assists in people's personal and professional development and provides work environment improvements.

In 2016, 42% of our hourly employees (direct and indirect) participated in QCCs. During the same period, 413 Circles were promoted, with an average of 9.3 suggestions per circle and a total of 9,285 implemented projects.



ISO 9001

It aims **to improve a company's management and quality** level by standardizing systems and processes.



OHSAS 18001

Focused on people, it guides best practices in **occupational health and safety management.**



IECQ QC 080.000

It establishes procedures for **management of substances hazardous to the environment.**



ISO 14001

It guides implementation of **environmental management systems aiming at compliance** with any internal and external assessments and **impact reductions.**



ISO TS 16.949

Focused on the **automotive industry**, it aligns international quality system standards, and specifies the requirements for the design and development, production, installation and maintenance of automotive products¹.

1. Our foundry plant is the only one that serves the automotive sector, therefore only this factory has this certification.

CERTIFICATIONS

We're prepared to serve the most diverse markets on a global scope and we have the following certifications:



Compressors Foundry Components



Compressors Electronics



Compressors



Compressors



Compressors



Compressors Foundry Components



Compressors Electronics



Compressors



Compressors



Compressors Foundry Components



Compressors Electronics



Compressors



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Compressors Foundry Components



Compressors Electronics



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Compressors



Foundry

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Working in partnership with our customers

We are a company oriented to our customers and we work to always offer the best experience before, during and after acquiring our products. Through this strategy, we aspire to achieve our Vision and become leader everywhere by 2020, and recognized by this public as the preferred partner.

Our relationship with our customers is characterized by a **long-term partnership**, because in this way we are able to follow their different moments, understand what the main challenges of their market are and offer the best solutions in a shorter response time.

In addition, another fundamental part of this partnership is the constant co-development actions, through which we combine the qualities and competences of the companies (Embraco + customer), promote the brands and generate business opportunities with new competitive advantages.

Strategically, we also put our expertise in different segments at the disposal of our key commercial partners so that they develop and grow their business. In practice, this means that in addition to refrigeration, our relationship with customers involves other topics relevant to their business – such as services, design, branding, internationalization, among others. When our customers grow and gain market share, we grow with them.

SATISFACTION SURVEY

Listening to customers is essential to offer them the best experience. To know the level of satisfaction of this public in relation to our brand and the main factors that influence their purchasing decision, since 2012, we've conducted an annual survey, whose results have helped us to increasingly better meet their demands.

In 2016, our Customer Satisfaction Survey was conducted in 10 languages and 242 people participated, in 53 countries, by answering approximately 25 questions about the items that guide their purchasing decision, the main attributes they're looking for in a compressor among other topics that involve their relationship with Embraco.

In the same year, in synchrony with our customer centric strategy, we began a new global survey focused on the customer's perception of our quality. Conducted monthly, we monitored 146 companies and obtained an average of over 92% satisfaction.

CO-BRANDING

We have a brand that has a great amount of credibility, and one that is a reference in innovation, quality, efficiency and sustainability for the market. During the last two years, we've started carrying out some co-branding initiatives, inserting our brand on the refrigerators that use our compressors and relaying the benefits of our technology to end-users, consequently generating more added value to our customers' products.

In 2016, we carried out co-branding actions on products from customers in Asia, Europe and Latin America using Fullmotion technology, as it is a solution that offers attributes that are highly relevant to the end-user, such as energy consumption reduction, fast cooling, better food preservation and more comfort due to its low noise level.



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Relationship with Contractors

Contractors are a very important public for us. They're responsible for household and commercial refrigerator maintenance, and their purchase recommendation directly impacts our Distribution and Retail area. Therefore, we seek to keep these professionals informed about our product portfolio, as well as invest in their training. In 2016, we promoted 45 lectures in 14 Latin American countries and trained more than 5,000 contractors.

Additionally, for more than 30 years we've produced a magazine dedicated to retailers and technical assistants in the refrigeration segment. **Refrigeration Club** is one of the sector's most important publications and in 2016 it had a quarterly circulation of 14,000 copies (in Portuguese and Spanish) distributed free-of-charge in 15 Latin American countries.

NEW REFRIGERATION CLUB WEBSITE

In 2016, Refrigeration Club got a new website and a number of new features. Among them are: an interactive forum – space dedicated for contractors to exchange experiences –, exclusive materials available for download, training and lecture schedule and even a Club card (which can be printed).

With more than 50 thousand visits/month, the website is no longer just an extension of the Refrigeration Club magazine but has become a reference in industry news and practices. To check out the result, simply access www.refrigerationclub.com.

TOOLBOX APPLICATION

In 2016, we launched the Toolbox application, which offers a set of virtual tools and assists the contractor's day to day through seven functionalities:

- Nearest distributor search tool;
- Embraco product catalog;
- Cross-reference product guide;
- Unit converter;
- Refrigerant ruler;
- Tool to identify causes of the main cooling system problems; and
- All Refrigeration Club content.

Toolbox is available in all countries throughout the world in more than 10 languages.



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Inspired by nature, where the cycles are closed and the elements are reused at the end of their useful life, Nat.Genius seeks to generate positive impacts for the environment and value both for Embraco as well as for stakeholders. Through reverse logistics work, the program recycles several discarded electro-electronic products at the end of their useful life.

With Nat.Genius, waste and electro-electronic equipment parts at the end of their useful life go through upcycling processes that add value to the materials, turning them into high quality raw materials for new products or partners. Through the work and creativity of our team, a refrigerator's metallic parts can become raw material for our own customers; or plastic pieces become inputs to produce parts used in construction.

Currently we have strategic partners to ensure to our customers recycling of 100% of the materials present in white goods appliances and commercial refrigerators. Additionally, we engage our Research & Development professionals to design products that focus on disassembly and reuse, and challenge our suppliers to develop exclusive recycling technologies, enhancing their products and services.

EXPANDING OPERATIONS

In the last two years, Nat.Genius has evolved significantly, from being a project to become a global business area – acting beyond Brazil as a consulting service provider also in Europe and North America. In the same period, in addition to compressors and the white line, we began recycling green, brown, and blue line products (description of each line below) and to offer waste management service. Among our customers are some of the largest Brazilian manufacturers of white goods and large companies in the segments of ice cream and soft drinks.

- **White line** – refrigerators, stoves, washing machines, among others;
- **Green line** – desktop computers, monitors, mobiles, tablets;
- **Brown line** – televisions and audio devices - such as micro-systems;
- **Blue line** – hair dryers, mixers, blenders, among others.

With these actions, Nat.Genius expanded its activities in order to become continuously more prepared to meet market demands, anticipating the needs created from the National Solid Waste Policy, a measure from the Brazilian government that foresees shared responsibility for the product lifecycle and the sectoral agreement for reverse logistics.

ELLEN MACARTHUR FOUNDATION

Nat.Genius is one of the operations considered a reference by the Ellen MacArthur Foundation in Brazil. The Foundation was created in 2010 with the goal of accelerating the transition to a circular economy around the globe, influencing the agenda of decision makers in the world of business, government and academia.



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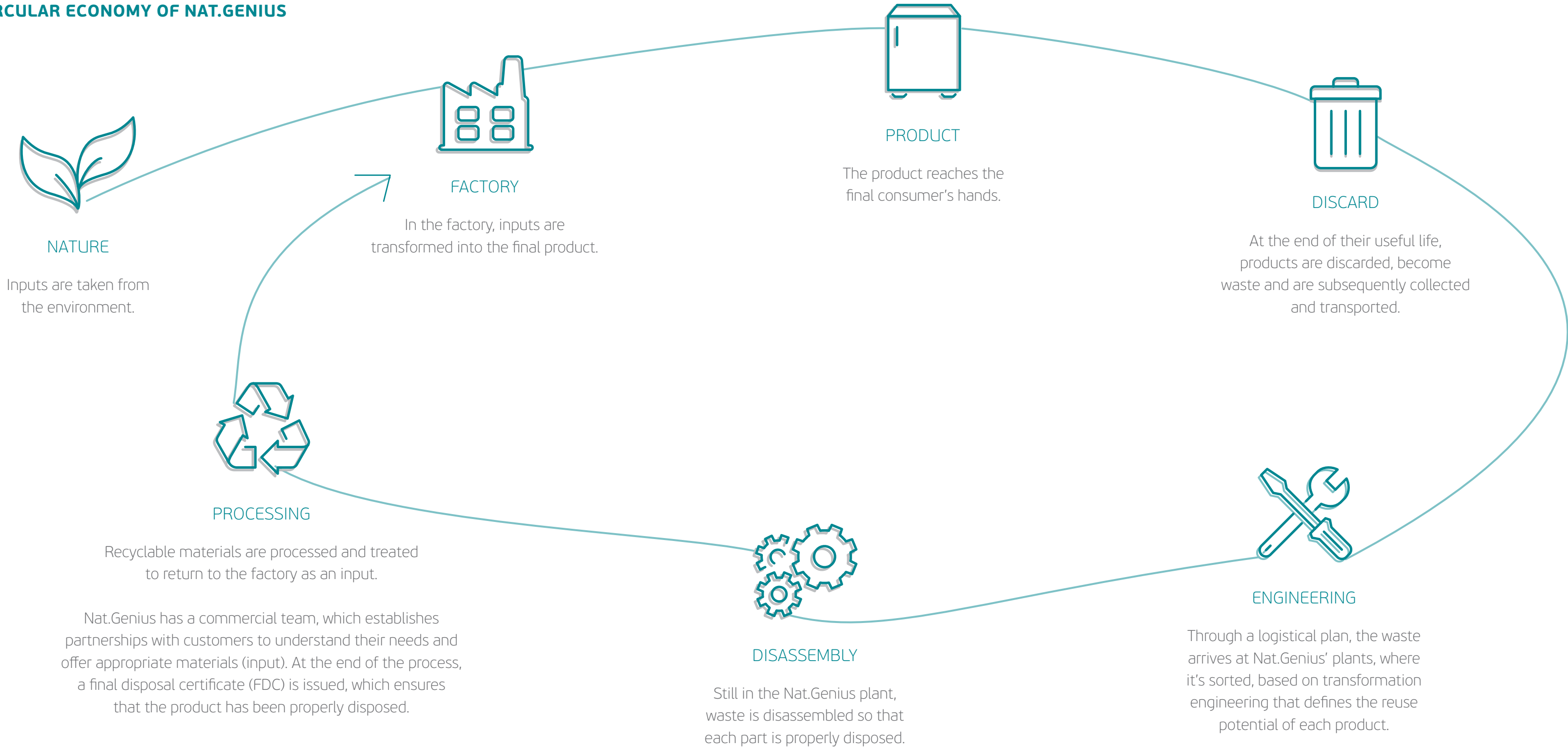
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CIRCULAR ECONOMY OF NAT.GENIUS



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NAT.GENIUS RESULTS

RECYCLING

GRI G4-EN28

Between 2015 and 2016, through Nat.Genius we recycled:

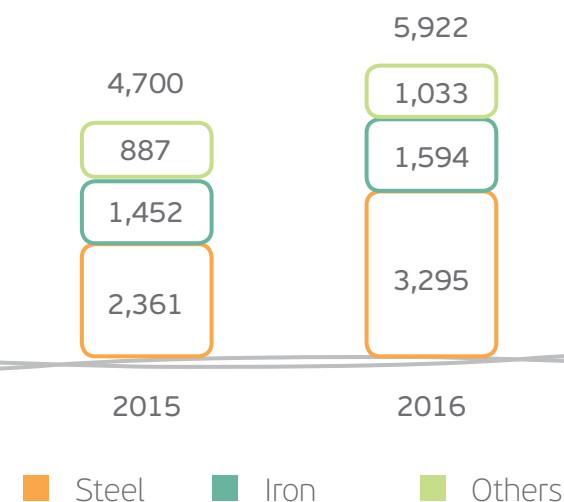
- 5,656 tons of steel – enough to produce more than four thousand cars¹;
- 3,046 tons of iron – 42% of what was used to build the Eiffel Tower²;
- 144 tons of aluminum – enough to produce more than 10.5 million cans³;
- 615 tons of copper;
- 57 thousand liters of oil; and
- 1,104 tons of plastic.

1. Source: <http://motordream.uol.com.br/noticias/ver/2011/11/28/voce-sabe-do-que-e-feito-um-carro>
 2. Source: <https://blogdopetcivil.com/2014/02/28/a-construcao-da-torre-eiffel/>
 3. Source: <http://www.re9recicle.com.br/2011/curiosidades/>

Materials recycled by Nat.Genius (in t)

Materials	2015	2016	Total
Steel	2,361	3,295	5,656
Iron	1,452	1,594	3,046
Aluminum	72	72	144
Copper	305	310	615
Oil	30	27	57
Plastic	480	624	1,104
Total	4,700	5,922	10,622

Recycled materials (in t)



ZERO WASTE WEEK

In 2015 and 2016, Nat.Genius also collaborated to raise awareness in the community who lives close to its operation regarding correct disposal of electro-electronic waste.

Through Zero Waste Week, residents from Joinville (Brazil) were the target of a socio-environmental education campaign, and were able to properly dispose of electro-electronics, household appliances and portable appliances, taking them to Nat.Genius' plants or schedule collection services.

The initiative is organized by Zero Waste Brazil Institute, a civil, non-profit organization which is part of the Zero Waste International Alliance, an international organization that works to defend the environment.

ENVIRONMENTAL PERFORMANCE



Energy consumption

Emissions

Waste

Water consumption

ENVIRONMENTAL PERFORMANCE

In addition to focusing on miniaturization, energy efficiency, reuse and recycling, we seek to be even more efficient in our production process and, consequently, generate increasingly less impact on the environment.

Since 2013, our biggest ally to continually evolve in environmental efficiency has been WCM (learn more on page 29). Implemented in all of our plants – still at different maturity levels – World Class Manufacturing has directly collaborated to make our production increasingly “lean” and therefore improve our environmental performance.

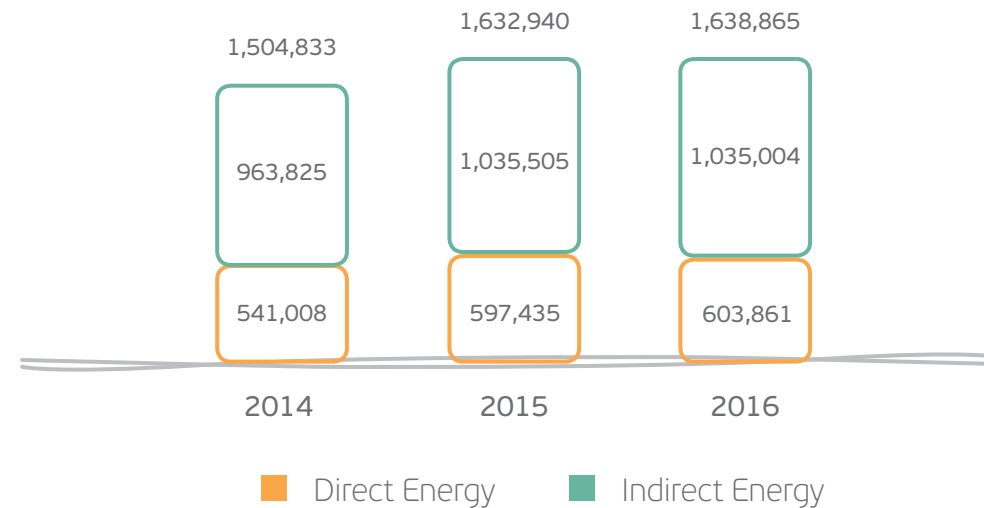
Also part of our sustainability strategy is the constant effort to reduce our greenhouse gas emissions (GHG), not only to demonstrate our commitment to combat climate change, but also to mitigate risks related to environmental legislation to which we and our customers are subjected to.

Energy consumption

GRI G4-EN3 | G4-EN5 | G4-EN6

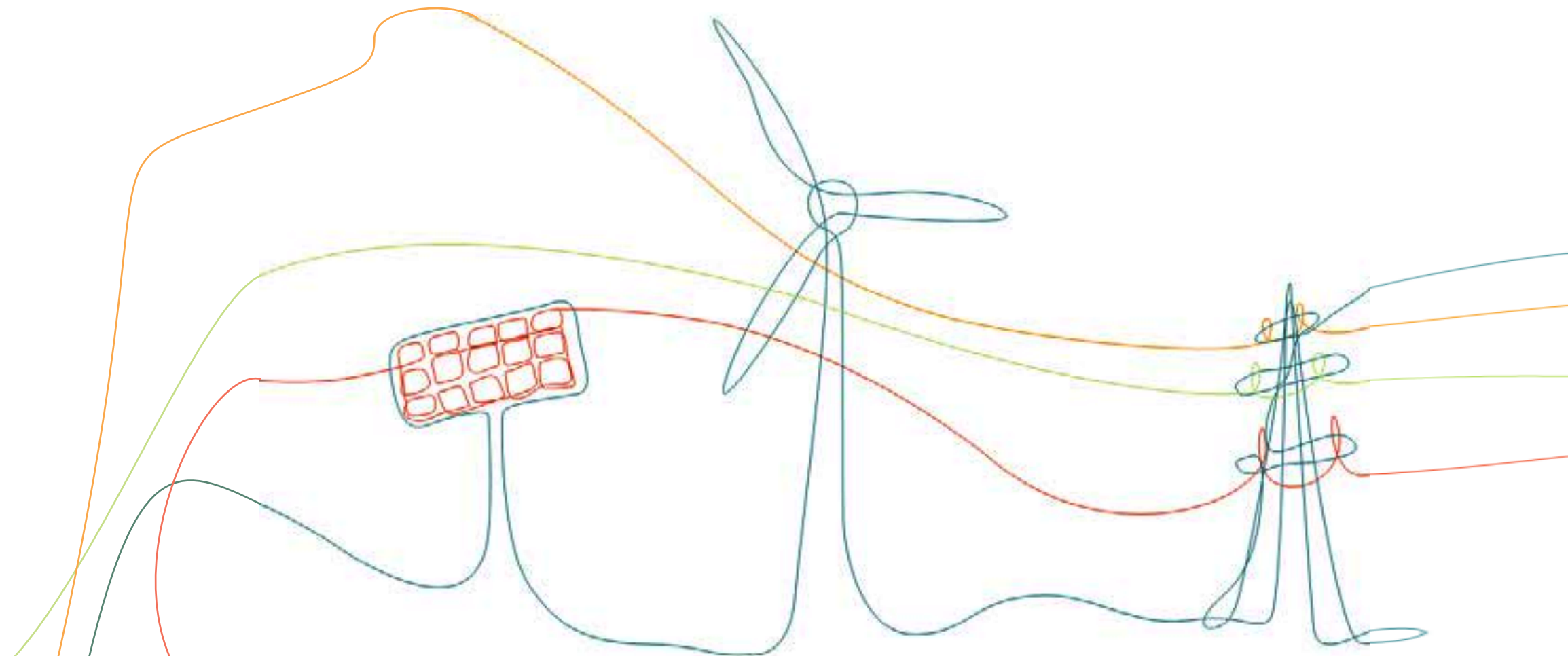
In absolute numbers, in 2016 we consumed globally 1,638,865 GJ of energy, a number practically stable when compared to the previous year. When we look at the relative global number, we observed that the ratio of GJ per compressor produced in electric energy was 0.032604 in 2015 and 0.032481 in 2016, which means that we used, on average, 0.4% less electric energy per unit produced.

Evolution of Embraco's Energy Consumption (GJ)



Direct and Indirect Energy Consumption (GJ)

	2014	2015	2016	Var. 2015 vs. 2016
Direct Energy	541,008	597,435	603,861	1.08%
Indirect Energy	963,825	1,035,505	1,035,004	-0.05%
Total	1,504,833	1,632,940	1,638,865	0.36%



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Energy consumption		Emissions			Waste		Water consumption		

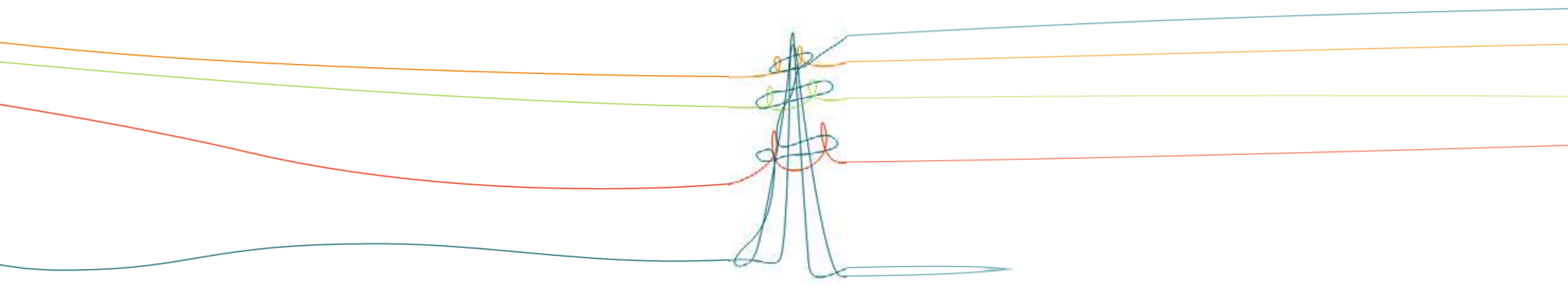
Energy consumption (cont.)

Evolution of our Energy Consumption by Source (GJ)

Fuel	2014	2015	2016
Direct Energy			
Natural gas	492,082	574,091	584,553
Methanol	862	409	424
Propane	4,545	4,066	4,204
GLP	13,380	14,171	10,238
Diesel oil	2,760	3,333	3,107
Gasoline	166	1,123	1,139
Ethanol	32	137	123
Kerosene	181	105	71
TOTAL Direct Energy	541,008	597,435	603,861
Indirect Energy			
Electric Energy	963,825	1,035,505	1,035,004
TOTAL Global			
TOTAL Global	1,504,833	1,632,940	1,638,865

Energy intensity (GJ/compressor)

Energy intensity rate (GJ/ compressor)	TOTAL		
	2014	2015	2016
Direct Energy			
Natural gas	0.015764	0.018076	0.018345
Methanol	0.000028	0.000013	0.000013
Propane	0.000146	0.000128	0.000132
GLP	0.000429	0.000446	0.000321
Diesel oil	0.000088	0.000105	0.000098
Gasoline	0.000005	0.000035	0.000036
Ethanol	0.000001	0.000004	0.000004
Kerosene	0.000006	0.000003	0.000002
Average Direct Energy	0.017332	0.018811	0.018951
Indirect Energy			
Electric Energy	0.030877	0.032604	0.032481
Average Global			
Energy used per compressor produced	0.048209	0.051414	0.051432



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Energy consumption

Emissions

Waste

Water consumption

INITIATIVES TO REDUCE ENERGY CONSUMPTION

GRI G4-EN6

Implementation of WCM, especially the Energy Pillar, encouraged adoption of several energy efficiency initiatives in our plants. In the period covered by the report, we had several actions that aimed at reducing consumption. The main ones are listed below.

In Brazil, with Energy Pillar actions (WCM), we reduced the compressor unit's Electric Energy consumption by 11%. Improvements were implemented that involved: high efficiency electric motors, compressors for high efficiency compressed air, inverters, automatic machine shutdowns in non-productive periods, natural lighting, LED lighting, HVAC, along with awareness and educational campaigns for energy consumption.

In Slovakia, in 2015 we installed a refrigeration system for R&D laboratories, which generated a savings of 324 GJ per year. In 2016, we installed a technology that generated a 20% reduction in electric energy consumption for cooling the assembly line. In the same period, we replaced neon lamps with LED, which resulted in savings of 100.2 GJ per year.

At the Compressor Plant in China, we began to periodically inspect and maintain the plant's piping, and to completely shut off power and compressed air from the inlet of all assembly line machines when not producing. Additionally, in 2016 we replaced incandescent lights for LEDs in the plant and office, which also led to a reduction in consumption.

In Mexico, we made improvements in the Air Treatment Unit, which has a contribution of 670,000 kWh, and in Italy, we made the compressed air room and electric motors more efficient, in addition to replacing the boilers.

100% RENEWABLE ENERGY IN SLOVAKIA

We received a certificate from Slovenské Elektrárne, Slovakia's leading power company, attesting that all the energy we consume in the country is from renewable sources. The label also recognizes our contribution to sustainable development and towards preventing greenhouse gas (GHG) emissions.

Energy consumption

Emissions

Waste

Water consumption

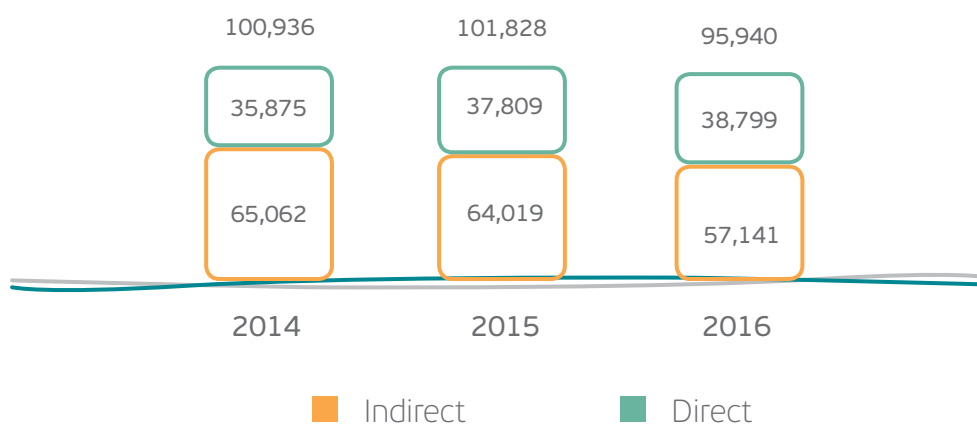
Emissions

GRI G4-EN15 | G4-EN16 | G4-EN19

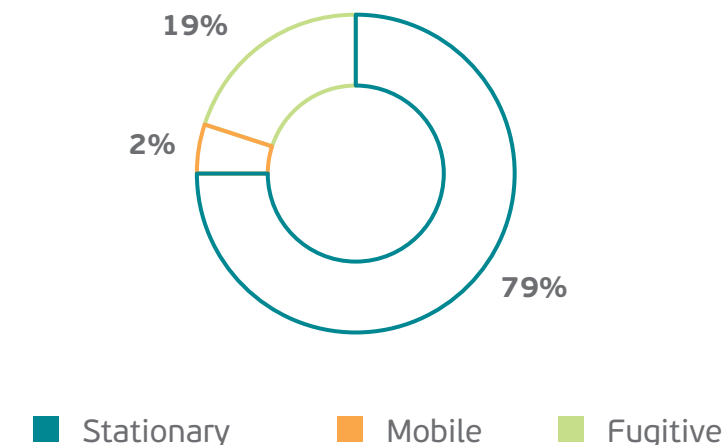
In 2016, we emitted globally 95,940.25 tons of CO₂e, which means a 5.8% reduction of our greenhouse gas emissions (GHG) compared to 2015, which represents approximately 7 thousand tons of CO₂e – equivalent to the emission generated by more than 200 trips of a Boeing 737 in a route of approximately 1 hour or 360 km.

Analyzing our emissions, it's possible to observe that 40.4% of them were direct (scope 1) and 59.6% of them indirect (scope 2), that is, referring to the purchase of electric energy. It was precisely in energy consumption that we were more successful, achieving a 10.7% reduction thanks to introducing WCM, which allowed us to be increasingly more efficient in this theme.

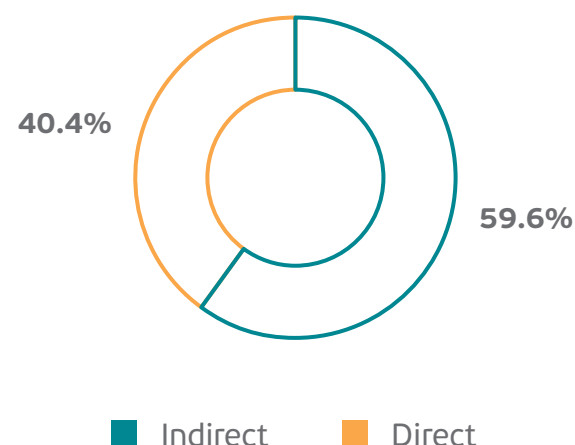
GHG Emissions (in tCO₂e)



DIRECT EMISSIONS IN 2016



GHG EMISSIONS IN 2016



Stationary: arising from burning fuel in stationary sources (example: furnaces and boilers) to generate electricity, heat or steam;

Mobile: arising from burning fuels in mobile sources owned or hired by the company (for example, forklift trucks to transport materials or waste, cars to transport employees, among others); and

Fugitive: arising from the intentional or unintentional release when using refrigeration equipment (example: leaks of refrigerant gas used in laboratory tests, air conditioners, etc.).

More information on page 55.



GHG LABEL

In 2016, we received, for the 5th consecutive time, the silver label from the Brazilian GHG Protocol for publishing all GHG direct emissions of all our units. The GHG Protocol is an international organization that encourages companies to calculate and publish their emission inventories.

Energy consumption

Emissions

Waste

Water consumption

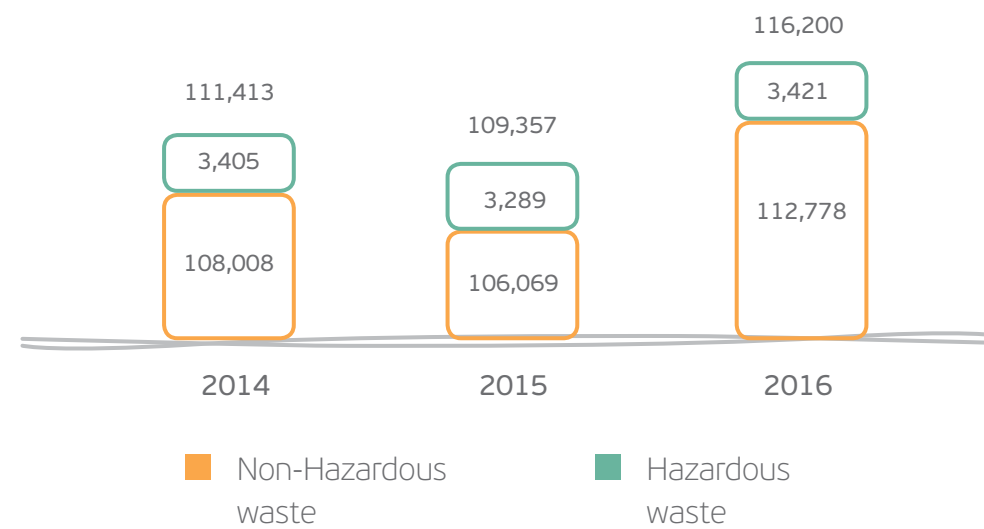
Waste

GRI G4-EN23

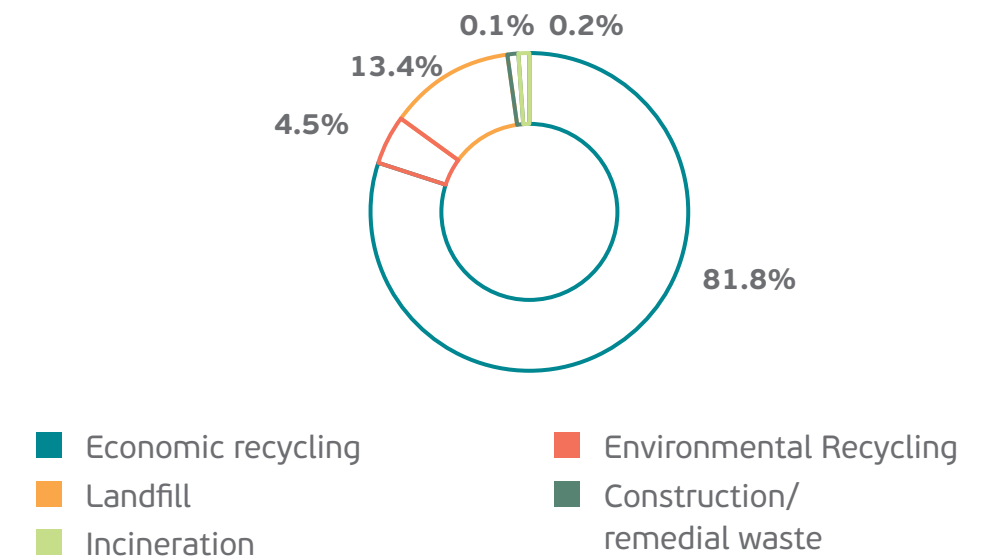
In 2016, we generated 116,200 tons of waste globally, 6.3% more than in 2015. Of this total, 97.1% was considered as non-hazardous waste, 86.3% was recycled and 13.4% was sent to landfills.

When we analyzed the total number of compressors produced globally, we observed that in 2016, for each compressor produced, we sent 490 g of waste to landfills, practically stable compared to 2015, but 10.2% less than in 2014.

WASTE GENERATION (t)



DESTINATION OF HAZARDOUS/ NON-HAZARDOUS WASTE IN 2016



WASTE GENERATION (t)				
	2014	2015	2016	Var. 2015 vs. 2016
Non-Hazardous Waste	108,008	106,069	112,778	6.3%
Hazardous Waste	3,405	3,289	3,421	4.0%
TOTAL	111,413	109,357	116,200	6.3%

Our global target is to zero out sending compressor plant waste to landfills by 2018 and the Foundry by 2022. Considering industrial waste, we reached this goal in 2015 at Brazil's compressor plant and in 2016 at China's electro-electronics plant.

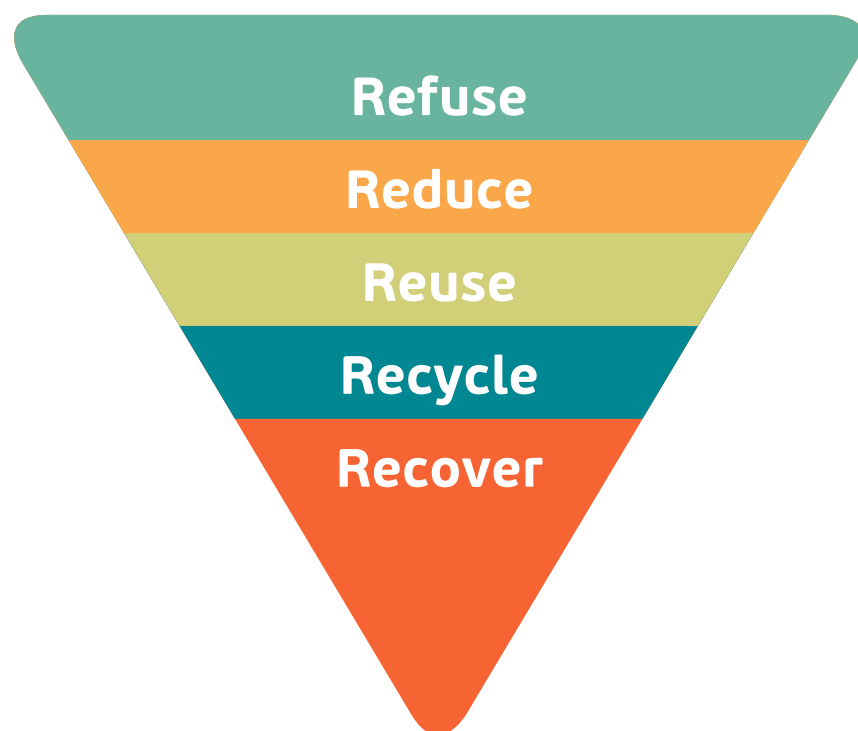
Energy consumption

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The 5Rs of Waste

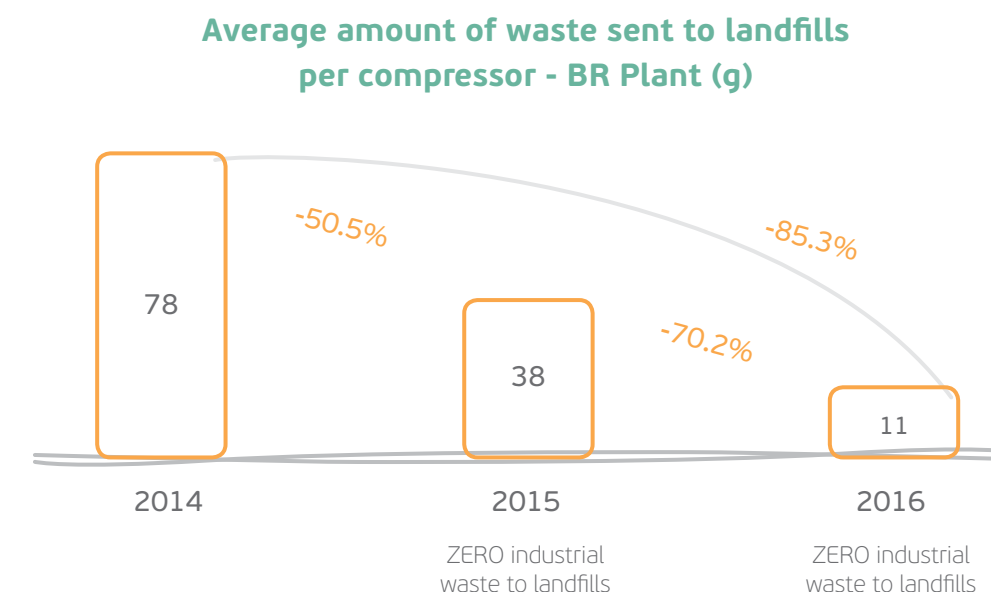


ZERO WASTE sent to landfills from Brazil's compressor plant

In 2015, the Compressor factory in Joinville (Brazil) was the first unit to eliminate sending industrial waste (such as various non-recyclable and contaminated materials) to landfills. With this result, we avoid sending more than one thousand tons – which corresponds to the load of 70 dump trucks – to landfills.

To achieve ZERO discard in landfills, we've adopted the five "Rs" of WCM - to Refuse, Reduce, Reuse, Recycle and Recover products that cause significant environmental impacts to the environment. This led us to re-evaluate each material consumed in our plant and seek alternative disposal of its waste. One of the solutions found was to send waste for composting and cement co-processing, a process in which the residue is used as fuel for cement kilns, substituting virgin raw materials such as coal and natural gas. Another example was the destination of the iron fines for briquetting, so that this residue is used as an industrial input.

With implementation of these measures, and driven by WCM's Environmental Pillar, in two years we were able to reduce the average amount of waste (including industrial and others) sent to landfills by 83.5%, as shown in the following chart:



In addition, we began prioritizing local suppliers, which besides reducing environmental impacts generated by the logistical process (with this measure we avoided 5t of CO2e), contributes to developing the local economy.

More information on page 55.

Energy consumption

Emissions

Waste

Water consumption

Water consumption

In 2016, we consumed 654,669 m³ of water, a number practically stable when compared to 2015. Of this total, 66% came from water supply networks and 34% was taken from wells. In analyzing the water consumption index per compressor produced, we observed that in the last three years we used 0.02 m³ (or approximately 20 liters) of water per compressor, less than 1/4 of what's needed to produce 500g of plastic¹ and approximately 0.02% of what's consumed to produce a smartphone².

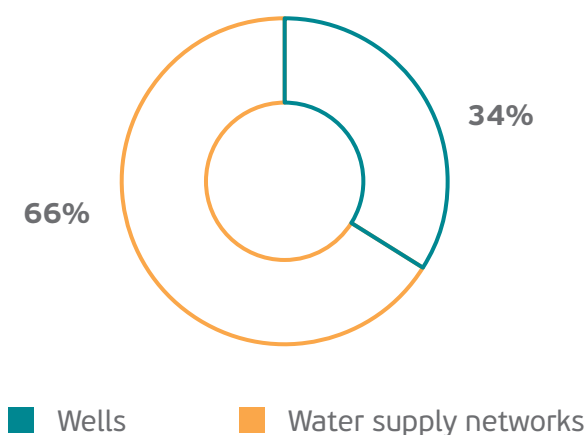
1. To produce 500 g of plastic, 91 liters of water are needed (SOURCE: <http://revistaepoca.globo.com/Sociedade/noticia/2013/03/quantos-litros-de-agua-sao-usados-na-fabricacao-de-cada-produto.html>)

2. To produce one smartphone, 12,760 liters of water are needed (SOURCE: <http://www.akatu.org.br/Temas/Consumo-Consciente/Posts/Quanta-agua-e-gasta-na-producao-do-seu-smartphone>)

Water consumption (m³) – GLOBAL

	2014	2015	2016	Var. 2015 vs. 2016
Water supply networks	410,832	344,543	434,022	26.0%
Wells	207,198	295,864	220,647	-25.4%
TOTAL	618,029	640,407	654,669	2.2%

WATER CONSUMPTION BY SOURCE IN 2016



WATER CONSUMPTION PER UNIT PRODUCED



1 EMBRACO COMPRESSOR



1/2 kg OF PLASTIC



1 SMARTPHONE

WATER REUSE

Of all the water we consumed in 2016, on average, 27% was reused (as in the previous year), with special emphasis on the compressor plants in Brazil, China and Mexico, as shown in the table below.

Plants that stand out for the reutilization of water

	2015	2016
China Compressors	17%	15%
Mexico Compressors	30%	34%
Brazil Compressors	44%	45%

In addition to the treated effluent reuse system, we also have a rainwater collection system in Brazil's compressor plant, with an area of approximately 900 m², which in 2015 collected more than 4,000 m³ of water.



ENGAGED PEOPLE



ENGAGED PEOPLE

A Team of Talents

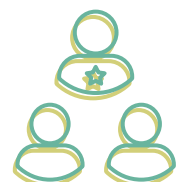
Our employees are essential to our business. Present on different continents, with diverse nationalities and cultures, we have a team of talents marked by diversity and we consider this characteristic as one of our main competitive differentials.

Following our people strategy, we seek to provide the tools necessary for our talents to have an excellent work experience and achieve extraordinary results. To reach this goal, we work on three pillars:



EXTRAORDINARY PERFORMANCE

A highly effective organization that consistently delivers results above expectations.



GREAT PEOPLE

Diverse talents, prepared to be leaders of the future.



WINNING CULTURE

Internally and externally recognized as a great place to work.

BEST COMPANIES TO WORK FOR

In 2016, for the 5th time, we were included on the list of Best Companies to Work for by Você S/A Guide. Years in which we were elected one of the best companies to work for:

- 2011
- 2012
- 2013
- 2014
- 2016



A Team of Talents

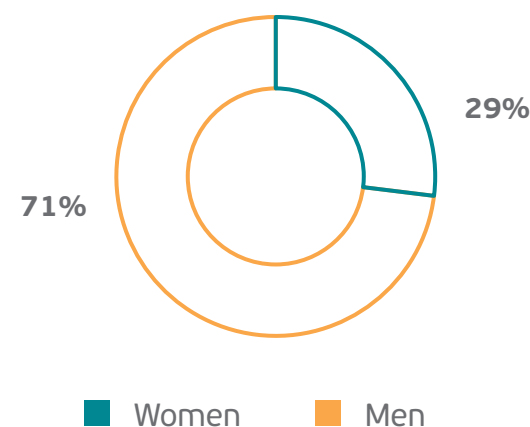
Transforming Communities

EMPLOYEE PROFILE

GRI G4-10

On December 31, 2016, we had 10,966 employees, 1.6% higher than in 2015.

EMPLOYEES BY GENDER IN 2016



Employees by job category in 2016

President and Vice-presidents	9
Executive Board	23
Senior Managers	86
Leaders	208
Administratives	1,852
Operational (Direct and Indirect)	8,662
TOTAL	10,966

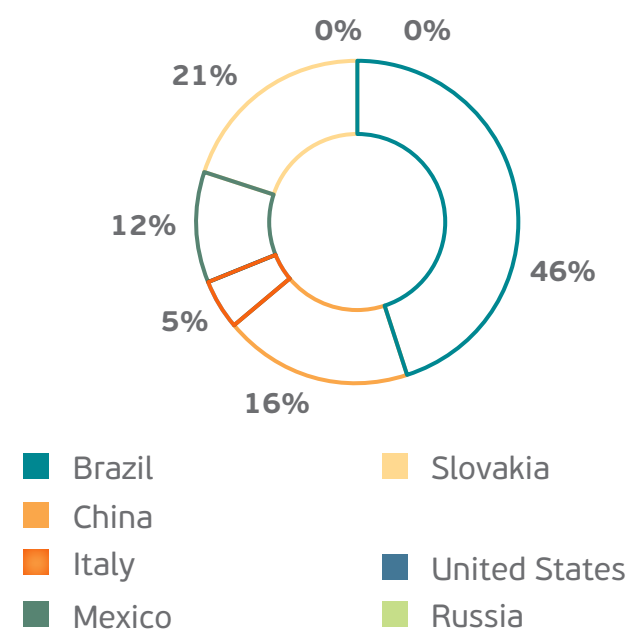
RESPECTING LABOR RELATIONS

Present in seven countries, we are always attentive to comply with local labor laws:

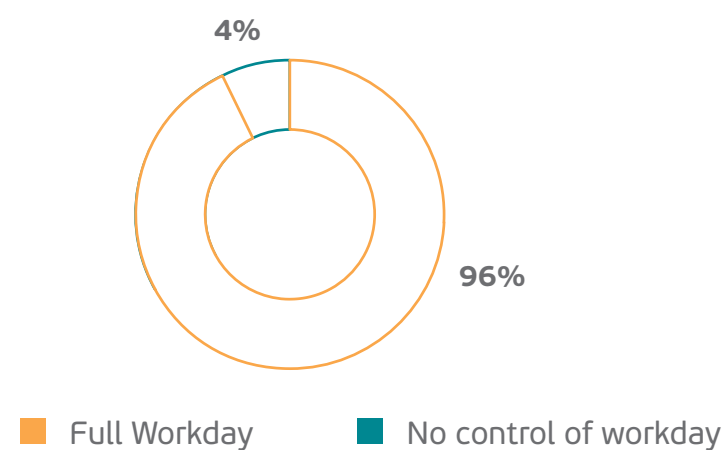
Employees covered by collective bargaining agreements GRI G4-11

Unit	Percentage of employees covered
Brazil	100%
China (Compressors)	95%
China (Electronics)	0%
United States	N/A ¹
Italy	100%
Slovakia	100%
Mexico	70.67%
Russia	N/A ²

EMPLOYEES BY COUNTRY IN 2016



EMPLOYEES BY TYPE OF EMPLOYMENT IN 2016



1. The operation in the United States is run through a sales office and a warehouse, which – according to US law – does not require a collective bargaining agreement.
2. In Russia we have only one sales office – which does not require a collective bargaining agreement.

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TURNOVER

GRI G4 LA1

In 2016, we hired, globally, 1,898 people, 94.3% more than in 2015, when we hired 977 people. In the same period, we reduced the number of dismissals by 24.1% from the previous year.

The turnover rate in 2016 was 18.8%, 6.4% lower than that of 2015, when we registered a turnover of 25.2%.



Hirings were carried out as follows:

Hirings in 2015 and 2016 by gender and age

By gender	Brazil		China Electronics		China Compressors		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Male	207	525	8	10	93	203	7	2	39	250	107	352	5	3	0	0	466	1,345
Female	111	149	20	9	23	53	1	2	294	168	60	166	2	4	0	2	511	553
Total	318	674	28	19	116	256	8	4	333	418	167	518	7	7	0	2	977	1,898

By age group	Brazil		China Electronics		China Compressors		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
< 30 years	218	461	11	10	65	94	4	2	176	232	78	264	0	0	0	0	552	1,063
from 30 to 50 years	94	203	17	9	49	160	4	2	154	185	75	235	6	6	0	2	399	802
> 50 years	6	10	0	0	2	2	0	0	3	1	14	19	1	1	0	0	26	33
Total	318	674	28	19	116	256	8	4	333	418	167	518	7	7	0	2	977	1,898

Dismissals were performed as follows:

Dismissals in 2015 and 2016 by gender and age

By gender	Brazil		China Electronics		China Compressors		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Male	1,072	561	9	13	192	210	21	13	108	205	134	246	1	10	0	0	1,537	1,258
Female	504	308	40	30	104	86	10	2	465	301	58	78	3	3	0	0	1,184	808
Total	1,576	869	49	43	296	296	31	15	573	506	192	324	4	13	0	0	2,721	2,066

By age group	Brazil		China Electronics		China Compressors		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
< 30 years	835	501	8	8	155	148	2	0	239	222	42	152	0	0	0	0	1,281	1,031
from 30 to 50 years	617	308	41	35	113	117	21	11	319	272	95	137	4	10	0	0	1,210	890
> 50 years	124	60	0	0	28	31	8	4	15	12	55	35	0	3	0	0	230	145
Total	1,576	869	49	43	296	296	31	15	573	506	192	324	4	13	0	0	2,721	2,066

Turnover	30.9%	17.1%	19.8%	18.9%	20.2%	20.2%	5.4%	2.7%	43.4%	40.1%	9.4%	13.9%	9.5%	32.5%	0.0%	0.0%	25.2%	18.8%
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HIRINGS

GRI G4-EC6

Our recruitment process is conducted by trained recruiters located in each of the plants. For more specific positions we count on local or global specialized consultancies to search for professionals in the market.

Selection is carefully conducted based on our Leadership Model, Values and Strategy taking into account the specifics of each position.

We promote speed and quality in our selection processes, as well as the candidate's experience. We value and encourage constant communication with candidates and always have with them a relationship of respect and transparency. The onboarding process begins during the selection phase, where the candidate will have the opportunity to be in touch with our business concepts and other relevant information.

LOCAL HIRING (LEADERSHIP POSITIONS*)

Brazil	86%
China Compressors	100%
China Electronics	100%
Italy	100%
Slovakia	100%
Mexico	100%
United States	75%
Russia	100%

* Leadership positions are: president, vice president, administrative, executive board and leaders

LEADERSHIP MODEL

Since 2014, we've been working with a Leadership Model that aims to guide employees about the attitudes and behaviors expected by Embraco.

This model is based on the premise that everyone is a leader, whether of the business, a function, a team, or themselves. Therefore, all employees should be protagonists of their career and their development within the company. Our Leadership Model is divided into four attributes:

Live and Lead the Embraco Values – our values are the basis for what we do every day and sustain the attributes described below.

Create a compelling and inspiring strategy – the best way to create a compelling and inspiring strategy is by having passion for our products and our brand, challenging ourselves and playing to win with determination and persistence.

Build and sustain broad followership – there's no better way to build and sustain a broad followership than by developing people to their full potential and by breaking barriers.

Drive differentiated results – the only way to achieve differentiated results is by leading with speed, having ownership and using straight talk to deliver assertive feedbacks and messages.

IDENTIFYING SUCCESSORS

Regardless of the career path the employee wishes to pursue – administrative, technical or projects – we have tools to identify the growth potential of each of our talents.

Administrative and project career professionals have their potential evaluated in a Succession Committee, which uses as a base our succession planning, leadership model and 9 box methodology.

People focused on a technical career are evaluated by a Technical Succession Committee to identify future growth possibilities.



A Team of Talents

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ENGAGEMENT

We conducted an annual survey to map the level of employee engagement and contribute to the success of our strategy. The survey is carried out globally with all our professionals (salaried and blue collars) and also evaluates the employees' perception regarding the performance of our leaders, identifying strengths and opportunities for improvement.

In 2016, 89% of our employees responded to the survey, while in 2015 that number was 90%.

The survey is confidential and our leaders use the results for improvement actions with their teams.

COMPENSATION

GRI G4-EC5

Following our goal to achieve extraordinary results, we seek to recognize our talents for their efforts. For this, our salary policy follows meritocratic criteria to reward our professionals according to their performance and potential.

Ratio of the lowest wage compared to local minimum wage

Units	2015	2016
Brazil	174,77%	176,56%
China Compressor	113,78%	105,08%
China Electronics	118,75%	111,11%
Italy	136,76%	136,76%
Slovakia	100,88%	100,00%
Mexico	268,62%	257,80%
United States	193,10%	193,10%
Russia	500,20%	590,55%

PROFIT SHARING PROGRAM

In addition to the fixed compensation, offered to all employees, we use a Profit Sharing Program (PPR) to motivate teamwork and the spirit of winning of our talents. Besides our corporate goals, each country has its own local goals.

PENSION PLAN

GRI G4-EC3

The plants in Brazil, Italy, China and the office in the US offer a pension plan to its employees.

Brazil: all employees can participate in the pension plan contributing 1% of the nominal salary up to R\$7,260.00. Above this amount you can choose to contribute up to 5.5% of the difference. Our contribution varies according to the professional's age, corresponding to between 50% and 200% of the value chosen by the employee.

Italy: joining the pension plan is voluntary and is foreseen in collective agreements. The contribution is 1.4% (employees) and 4% (managers). We contribute with the same value.

China: has statutory pension insurance for all employees, and the contribution is 8% by the employee and 20% by us.

United States: all employees are eligible for the benefit and can contribute with a percentage of their salary – up to the annual limit accepted by the country's tax agency. We contribute with 75% of the value.

PROFESSIONAL DEVELOPMENT

To enhance the professional growth of our talents we use the Career Compass, a tool that helps employees map out, discuss and document a career plan that identifies potential next roles and experiences for their development.

W CAREER

In order to enable all our talents to evolve in the areas in which they most identify, we use a Career W model to develop and retain people with different leadership profiles. Depending on the area of activity and the activities performed, the employee will have a different career path, always aligned with their objectives:

Technical – employees working in research and engineering functions involved in product transformation processes.

Projects – employees who work on large projects defined in the GPL (Global Product Leadership), with high technological and managerial complexity.

Administrative – employees working in administrative and support areas, not involved in product transformation processes.

Until they reach a certain level, Technical and Project career professionals are part of a Talent Pool, in which they have the opportunity to try out different areas and have a more general view so as to later on become project leaders or specialists on a given subject.

A Team of Talents

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CORPORATIVE EDUCATION

GRI G4-LA9

To achieve our 2020 Vision, we provide a Development Programs Catalogue based on EEE learning methodology: **Experience, Exposure and Education**. The goal is to guide employees on development actions to support them throughout their career path.



Experience

means **possibilities**



Exposure

means **challenge**



Education

means **discovery**

Our trainings use a BDA structure (**B**efore, **D**uring and **A**fter classroom activities) thus reinforcing the sustainability of the knowledge acquired. Some types of knowledge transfer used are:

- **Technology:** online tools such as videos and e-learning methodologies;
- **Relationship:** coaching, mentoring and feedback practices;
- **Classroom:** classes, seminars and face-to-face training; and
- **Practice:** workshops, benchmark studies, and job rotation to provide a holistic view of the business to our professionals.

In 2016, we used 227,800 hours to train our employees. On average, in the last year we offered 28.8 hours of formal training per employee – in the previous year, this number was 40.2 hours. The reduction is due to the transformation moment that we’re going through. Strategically, during the past year, through Transformation (more on page 12) we’ve been focused on revising our culture to become simpler, more innovative, and focused on our customers.

In the last two years, trainings were offered as follows:

Hours of Training in 2015

Job Category	Average Hours		Average Hours
	F	M	
Executives (President, Vice-Presidents, Directors and Senior Managers)	14.0	16.3	16.1
Leaders	25.9	32.5	30.3
Employees (Administrative, Operational and Others)	20.2	51.1	40.7
Average per employee	20.3	50.3	40.2

Hours of Training in 2016

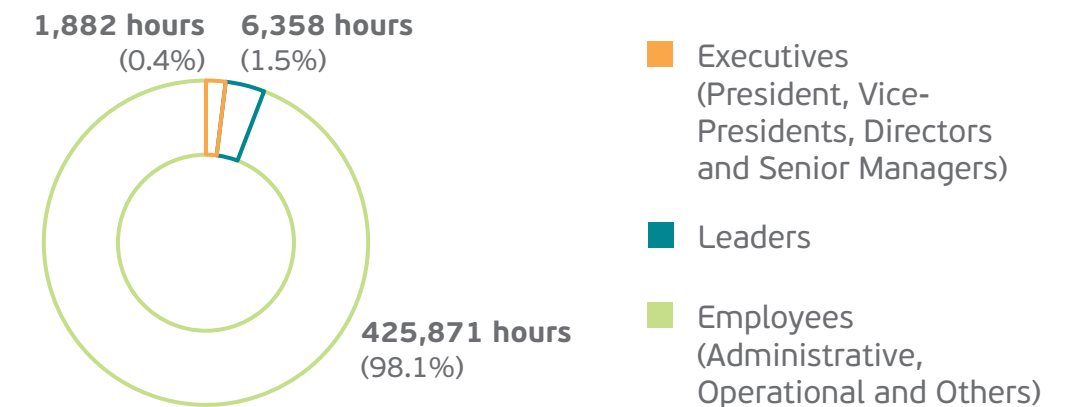
Job Category	Average Hours		Average Hours
	F	M	
Executives (President, Vice-Presidents, Directors and Senior Managers)	19.6	21.3	21.1
Leaders	24.7	22.2	22.9
Employees (Administrative, Operational and Others)	14.3	23.3	20.7
Average per employee	14.6	23.3	20.8

More information on page 55.

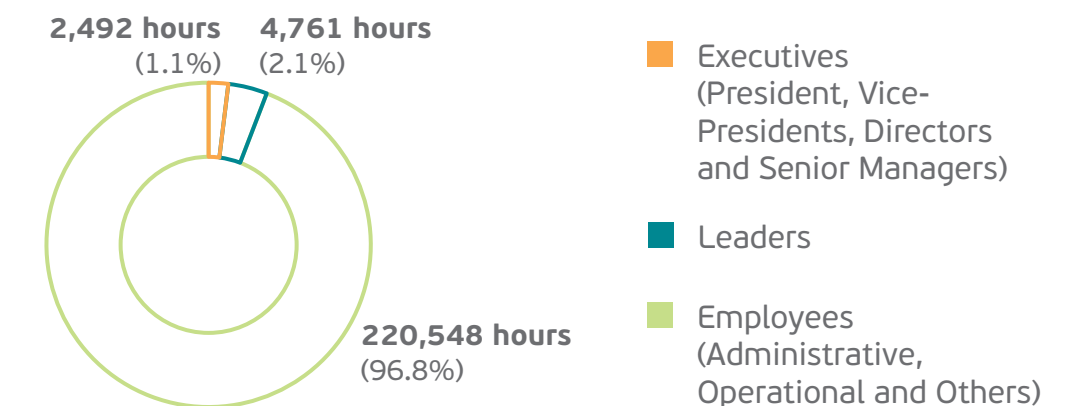
In order for employee development to gain even more scope and breadth, in the period covered by the report we strengthened the figure of “Knowledge Ambassadors”, who are internal multipliers of the training programs.

In addition to internal programs, we also invest in scholarships so that employees between the operational and administrative levels take technical, undergraduate or postgraduate courses.

TOTAL HOURS OF TRAINING IN 2015 (BY JOB CATEGORY)



TOTAL HOURS OF TRAINING IN 2016 (BY JOB CATEGORY)



A Team of Talents

Transforming Communities

PERFORMANCE ASSESSMENT

GRI G4-LA11

To evaluate the performance of our talents, we carry out an individual assessment based on the Extraordinary Performance & Results (EP&R) model, structured in five dimensions and divided into two aspects.

What was delivered:

- Results vs. objectives
- Job scope

How deliverables were made:

- Demonstrate Values
- Leadership and management skills
- Talent and personal development

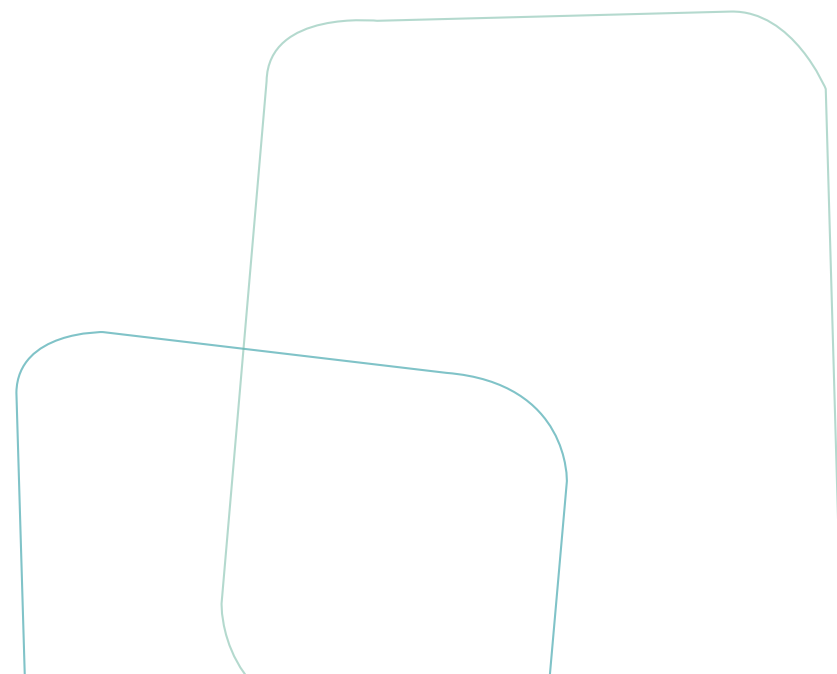
In terms of process, our assessment follows the **Embraco's Journey** (more information in the box below) and foresees three main steps for the year:

- **Align and Commit**- setting goals for the year based on our strategy.
- **Develop and Deliver** – a mid-process review to assess what has already been delivered and, if necessary, make adjustments to the path.
- **Confirm and Reward** – at the end of the year we assess deliverables and, according to the results, the employee receives his variable remuneration.

At the end of this process, all administrative employees receive personalized feedback, which aims to support their professional development.

EMBRACO'S JOURNEY

In 2015, we launched Embraco 's Journey, an online platform that consolidate all processes and tools regarding career and development in a single place to make it even easier to our employees to get on board on the People Management tools. Leadership and employees can find what is expected from them in each step of the Embraco's Journey.



A Team of Talents

Transforming Communities

HEALTH AND SAFETY

Our employees' safety is a priority goal for the management of our business. To monitor and administer this theme, as of 2016 each one of our plants started to hold weekly meetings, always with the presence of the plant's vice president and director, as well as other guests to discuss safety issues. The theme is also addressed monthly in the leadership meeting, composed of the president, vice presidents and directors from all the company's units.

In order to manage operational safety, since 2013 we've counted on the support of the WCM methodology that, within this theme, has as a clear objective to achieve and maintain the goal of ZERO accidents. Additionally, in 2016 we conducted more than 140 events globally to prevent accidents.

Through all these actions, it was possible to achieve a 46% reduction in the number of accidents with time away in 2015.

In addition to the WCM tools for the Safety pillar, employees in our plants have other programs, which are described below.

SAFETY GOLDEN RULES

Our Safety Golden Rules guide the daily behavior in all activities performed in the plants by our employees, suppliers and visitors. In 2015 and 2016, we worked to disseminate these rules globally.

BEHAVIOR-BASED SAFETY AND SMAT

Since 2011, we've adopted globally Behavior-Based Safety (BBS), a program that seeks to create a safe work environment by observing employee behavior and providing regular feedback to professionals connected to manufacturing activities.

With the introduction of WCM, we began a transition from Behavior-Based Safety to SMAT, a tool that, like BBS, focuses on the behavioral phenomenon with the goal of changing the safety culture.

INTERNAL COMMISSION FOR ACCIDENT PREVENTION (CIPA)

Our units in Brazil count on the Internal Commission for Accident Prevention (CIPA), which complies with the Regulatory Standard 5 (NR-5) of the Brazilian Ministry of Labor.

In 2016, we had 156 members in CIPA, who conducted several safety-focused procedures, such as meetings, inspections and campaigns, along with the Internal Week of Prevention of Accidents in the Workplace and Environment (SIPATMA).

WORKFORCE REPRESENTED BY FORMAL HEALTH AND SAFETY COMMITTEES
GRI G4-LA5

All our plants have formal health and safety committees. Globally, 348 employees are part of these committees and represent 99.6% of our workforce. The other 0.4% includes employees from Russia and the United States, countries where we work only with sales offices with a small number of professionals and therefore do not require such committees.



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SAFETY PERFORMANCE

GRI G4-LA6

In 2016, our occupational safety indexes were better than those presented in 2015 – with the exception of occupational illness, which remained practically stable. The main highlights were the rates of injuries and absenteeism, which reduced respectively 0.97 p.p. and, 54 p.p..

Health and Safety in 2015 & 2016

Units	Injury Rate		Occupational Illness Rate		Days Away Rate		Absenteeism Rate	
	2015	2016	2015	2016	2015	2016	2015	2016
Brazil Compressors	1.71	1.13	0	0	0.06	0.07	2.91	2.6
China Compressors	0.75	0.7	0	0	0.13	0	1.55	0.7
Italy Compressors	3.98	1.87	0	0	1	0.27	2.72	2.67
Slovakia Compressors	3.57	1.86	0	0.02	0.11	0.26	0.12	2.67
Mexico Compressors	3.93	1.93	0	0	0	0.16	1.78	2.23
Brasil Foundry ¹	-	-	0	0	-	-	3.19	3.14
Brazil Components ¹	-	-	0	0	-	-	2.62	2.04
China Electronics	0	0	0	0	0	0	1.07	0.73
United States	0	0	0	0	0	0	5.6	0
Russia ²	-	-	-	-	-	-	-	-
GLOBAL AVERAGE	2.22	1.25	0.00	0.00	0.11	0.10	2.40	1.86

1. Injury rates and days away at the Itaiópolis plant are accounted for in the line "Brazil (Compressors)".

2. Our operation in Russia has only one sales office – therefore the rates of injuries, occupational illnesses, days away and absenteeism are not measure.

HEALTH AND SAFETY ISSUES COVERED BY FORMAL AGREEMENTS WITH TRADE UNIONS

GRI G4-LA8

The formal health and safety agreements established between us and the trade unions are carried out country by country and involve the following themes:

Brazil: job stability after 60 days of leave from the National Social Security Institute (INSS).

Slovakia: use of PPE; medical examination based on job position; periodic training in fire safety and protection; participation of the union in investigations into possible accidents or occupational illnesses; provision of appropriate information in the event of a change in technology or equipment that may have an impact on safety; and periodic meetings with staff members of the formal health and safety committee.

Italy: safety assessment through the occupational health program; and periodic meetings with the union, upper leadership and responsible doctors (labor medicine) to discuss issues related to health and safety at work.

Mexico: use of PPE; and compliance with the health and safety legal requirements.

United States: use of PPE; and compliance with the health and safety legal requirements.

China: use of PPE; and compliance with the health and safety legal requirements.

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Transforming Communities

Transforming Communities

We believe in the potential of transforming realities in the communities in which we operate and engage our employees so that they act in some locality of their interest, carrying out different activities that directly benefit the population that lives around our plants and offices worldwide.

The volunteer work of our employees aspires to value the communities that receive our units worldwide. Aiming to transform and generate shared value, in 2015 and 2016 we invested in social projects and voluntary activities in communities in Brazil, China, Slovakia, Italy and Mexico, which benefited and contributed to the well-being of more than 35 thousand people.

In the last two years, we also offered close to five thousand hours of community work around the world, with the support of more than 500 volunteers, at events such as Global Volunteer Day ("Prove" a Different Day).



TRANSFORMING THE PLANET

In 2015 we once again received the Via Bona Slovakia awards in the Community Partner category and the Golden Ant Award in recognition of our social responsibility actions in Slovakia.

MAIN ACTIONS

Held in **Brazil** since 1992, the Embraco Ecology Award is our main social investment action in Brazil and aims to strengthen environmental education in early childhood education and elementary schools. In its more than 24 editions (the last two in 2015 and 2016), the award has already received 823 projects, of which 106 were selected and implemented under the company's sponsorship. With more than 100,000 beneficiaries, it was ranked among the best practices of the United Nations' Global Compact.

Following the Brazil plant's model, **Slovakia** has also held the Embraco Ecology Award in the local community since 2007. In 2015, four kindergartens and four primary schools received our support to carry out their school projects. In 2016, we expanded the number of schools and kindergartens that could submit their projects.

The next step is to motivate these institutions to join the others and also to carry out ecological projects.

Another of Slovakia's highlight in 2015 was a Project with the Slovak University of Technology, through which we provided financial support for students to build an electric race car, encouraging the development of innovative and sustainable solutions.

In **Mexico**, the main actions involved the family of our employees, who had the opportunity to visit our plant and learn more about Embraco, as well as kids with disabilities, who participated in activities with our volunteers on Children's Day.

In **Beijing, China**, the main activity was Education for Migrant Children, a project carried out for three years by 12 Embraco volunteers who are connected with these students through monthly letters and biannual face-to-face meetings. In **Qingdao (China)**, to engage the community, employees carried out a collective cleaning effort, emphasizing the importance of voluntary work and preserving the environment.

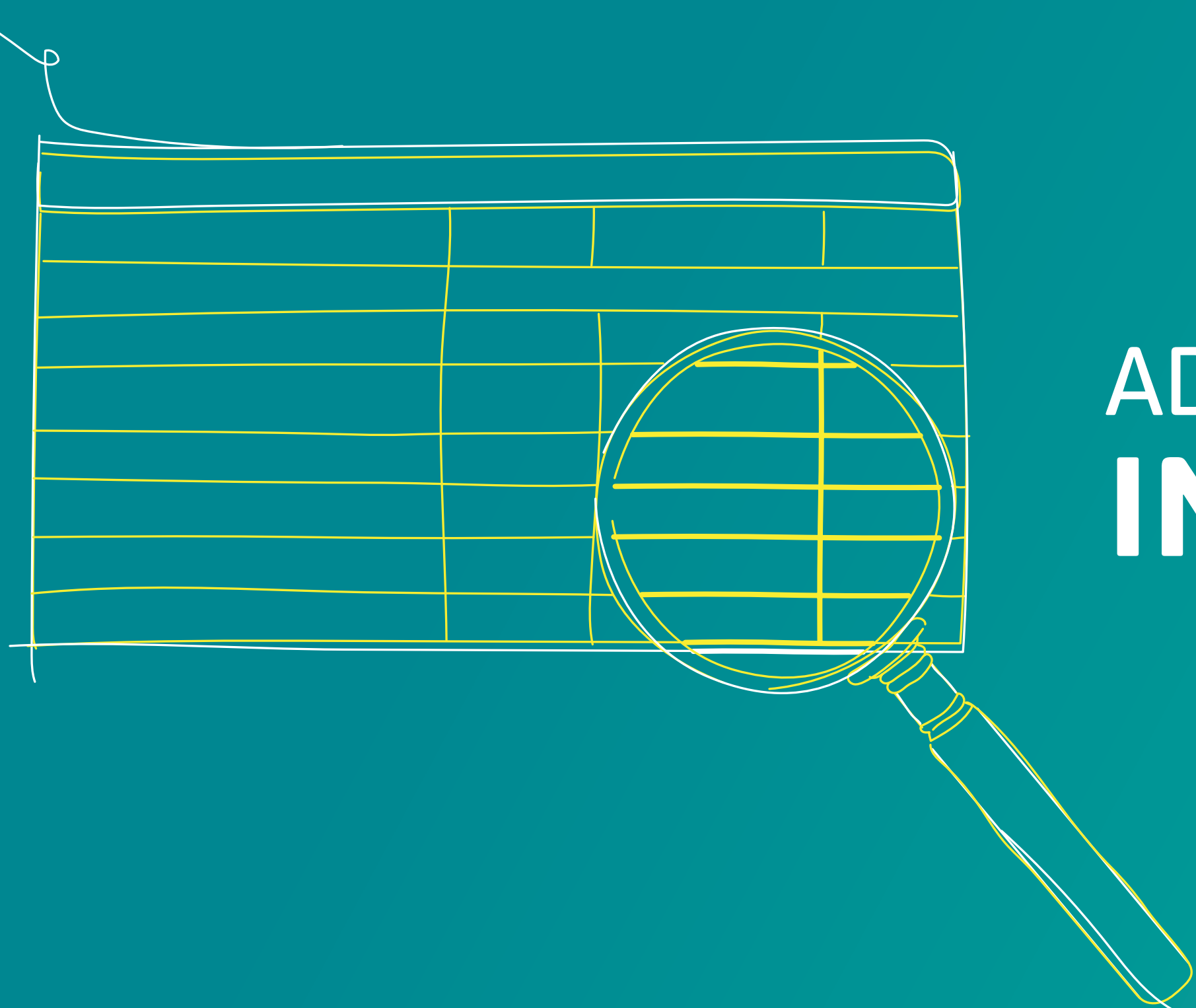
In **Italy**, we worked on environmental education with a local school to raise children's awareness of how today's decisions impact our future.

EMBRACO SPORTS ASSOCIATION (ADE)

For 41 years we've offered leisure and recreation to the entire community of Joinville (Brazil), where we maintain our headquarters. At the Embraco Sports Association (ADE) it's possible to enjoy quality-of-life moments in a safe, pleasant place, surrounded by nature.

Among the activities offered are gym, gymnastics, martial arts and a running group. For the children to spend their energies, ADE offers schools for Volleyball, Soccer, Judo among other activities. The Association's infrastructure also houses an athletic track, park, restaurant, space for events, bowling and sports courts.





ADJACENT INFORMATION

content	message from leadership	profile	innovation for sustainability	responsibility and efficiency in the value chain	environmental performance	engaged people	adjacent information	GRI index	credits
Energy consumption		Emissions			Waste		Employee Profiles		Corporate education

ADJACENT INFORMATION

Energy consumption

GRI G4-EN5

Energy intensity per plant (GJ/unit)

Fuel	Brazil Compressors		Brazil Foundry		Brazil Components		China Compressors		Slovakia Compressors		Italy Compressors		Mexico Compressors		China Electronics		United States		Energy used per compressor produced	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Direct Energy																				
Natural Gas (m3)	0.014468	0.014711	0.139302	0.126180	0.000000	0.000000	0.009668	0.009956	0.021780	0.022025	0.060780	0.068295	0.015745	0.016080	0.000000	0.000000	0.051960	0.000029	0.018076	0.018345
Methanol (L)	0.000000	0.000000	0.000000	0.000000	0.000007	0.000010	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000013	0.000013
Propane (L)	0.000000	0.000000	0.000000	0.000000	0.000072	0.000099	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000128	0.000132
GLP (kg)	0.000476	0.000364	0.052222	0.066329	0.000066	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000446	0.000321
Diesel (L)	0.000122	0.000121	0.000000	0.000718	0.000000	0.000000	0.000047	0.000028	0.000131	0.000102	0.000366	0.000318	0.000000	0.000023	0.000000	0.000000	0.000000	0.000000	0.000105	0.000098
Gasoline (L)	0.000011	0.000012	0.000000	0.000000	0.000000	0.000000	0.000155	0.000159	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000035	0.000036
Ethanol (L)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000015	0.000012	0.000004	0.000005	0.000012	0.000015	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000004	0.000004
Kerosene (L)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000009	0.000007	0.000005	0.000003	0.000013	0.000009	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000003	0.000002
Indirect Energy																				
Electric Energy (kWh)	0.023764	0.022085	2.926780	2.973878	0.000291	0.000359	0.016926	0.017157	0.025532	0.025571	0.071251	0.079289	0.020558	0.020612	0.001521	0.001380	0.016938	0.019358	0.032604	0.032481

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Energy consumption		Emissions		Waste		Employee Profiles		Corporate education	

Emissions

GRI G4-EN15 | G4-EN16 | G4-EN19

GHG emissions by unit 2015 and 2016 (tCO₂e)

Unit	Scope 1		Var. 2015 vs. 2016	Scope 2		Var. 2015 vs. 2016	Scope 1 + Scope 2		Var. 2015 vs. 2016
	2015	2016		2015	2016		2015	2016	
	Brazil Compressors	15,471	16,018	3.5%	11,358	7,041	-38.0%	26,829	23,059
China Compressors	3,920	4,406	12.4%	17,634	17,487	-0.8%	21,553	21,893	1.6%
Italy Compressors	3,363	3,130	-6.9%	3,932	3,618	-8.0%	7,295	6,749	-7.5%
Slovakia Compressors	7,638	7,758	1.6%	9,238	9,338	1.1%	16,876	17,096	1.3%
Mexico Compressors	5,817	6,335	8.9%	12,194	12,691	4.1%	18,010	19,027	5.6%
Brazil Foundry	859	905	5.3%	7,527	5,209	-30.8%	8,386	6,113	-27.1%
Brazil Components	475	247	-48.1%	568	344	-39.3%	1,043	591	-43.3%
Brazil Electronics ¹	0	0	-	191	0	-100.0%	191	0	-100.0%
China Electronics	0	0	-	1,123	1,142	1.6%	1,123	1,142	1.6%
United States	266	0	-100.0%	254	271	6.4%	520	271	-48.0%
Total Embraco (Global)	37,809	38,799	2.6%	64,019	57,141	-10.7%	101,828	95,940	-5.8%

1. Brazil's Electronics plant was deactivated at the beginning of 2015 however, some missions were still accounted in this period.

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Energy consumption			Emissions		Waste			Employee Profiles		Corporate education

Waste

GRI G4-EN23

Waste Generation (t)

	Brazil Compressors		China Compressors		Slovakia Compressors		Italy Compressors		Mexico Compressors		Brazil Foundry		Brazil Components		China Electronics ²		United States		Russia ³		TOTAL	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Non-hazardous waste																						
Economic recycling	44,569	44,625	5,303	4,715	21,363	22,900	4,418	3,498	12,455	13,800	189	2,013	1	448	21	26	553	2,727	0	0	88,872	94,751
Environmental recycling	414	692	129	108	85	175	416	438	868	245	62	905	58	10	0	0	0	0	0	0	2,032	2,574
Landfill ¹	422	119	327	291	178	164	185	107	166	179	13,525	14,444	1	26	2	0	215	1	0	0	15,022	15,330
Construction/ remedial waste	143	124	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	143	124
SUBTOTAL	45,548	45,559	5,759	5,114	21,626	23,239	5,019	4,043	13,489	14,224	13,776	17,361	61	484	22	26	768	2,728	0	0	106,069	112,778
Hazardous waste																						
Economic recycling	241	230	29	21	41	49	0	0	0	0	0	15	5	1	0	0	0	0	0	0	317	316
Environmental recycling	329	466	5	1	1,716	1,900	43	42	38	99	0	56	49	58	0	0	0	0	0	0	2,179	2,621
Landfill	109	42	0	0	191	65	33	79	173	50	38	61	3	1	0	0	0	0	0	0	547	298
Incineration	0	0	143	120	0	0	0	0	85	52	0	0	0	0	18	14	0	0	0	0	246	187
SUBTOTAL	679	738	177	142	1,948	2,014	76	121	296	201	38	131	57	61	18	14	0	0	0	0	3,289	3,421
TOTAL	46,227	46,297	5,936	5,256	23,574	25,253	5,095	4,164	13,785	14,425	13,814	17,493	118	545	40	40	768	2,728	0	0	109,357	116,200

1. Brazil's compressor plant zeroed out sending industrial waste to landfills in 2015, but we still send other types of waste to them.
 2. China's electronics plant zeroed out sending industrial waste to landfills in March 2016, so the accumulated total for the year still included 0.24 tons of waste sent to them.
 3. In Russia we only have an office, so no relevant waste is generated (compared to the countries where we have factories).

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Energy consumption			Emissions		Waste	Employee Profiles		Corporate education	

Employee Profiles

GRI G4-10

Profile of Employees in 2016

	Brazil		China Compressors		China Electronics		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
Employees by employment type	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Full workday (8h)	1,142	3,540	313	1,155	178	50	169	383	428	799	783	1,504	15	17	6	4	3,034	7,452
Without workday control	79	318	0	0	0	0	0	0	7	29	8	31	2	6	0	0	96	384
Total	1,221	3,858	313	1,155	178	50	169	383	435	828	791	1,535	17	23	6	4	3,130	7,836
Employees by job category	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Vice-presidents and President	1	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	8
Directors	1	20	0	0	0	0	0	1	0	0	0	1	0	0	0	0	1	22
Sr Managers	5	40	5	6	0	1	2	9	0	4	0	8	1	3	0	2	13	73
Leaders	17	63	15	24	2	2	4	7	7	23	11	29	1	2	1	0	58	150
Administrative	201	654	111	181	28	32	28	65	36	121	131	224	15	18	5	2	555	1,297
Operational (Direct & Indirect)	952	2,991	182	944	148	15	135	301	392	680	649	1,273	0	0	0	0	2,458	6,204
Others	44	82	0	0	0	0	0	0	0	0	0	0	0	0	0	0	44	82
Total by gender	1,221	3,858	313	1,155	178	50	169	383	435	828	791	1,535	17	23	6	4	3,130	7,836
Total by country	5,079		1,468		228		552		1,263		2,326		40		10		10,966	

content	message from leadership	profile	innovation for sustainability	responsibility and efficiency in the value chain	environmental performance	engaged people	adjacent information	GRI index	credits
Energy consumption			Emissions		Waste	Employee Profiles		Corporate education	

Employee Profiles

GRI G4-10

Profile of Employees in 2015

	Brazil		China Compressors		China Electronics		Italy		Mexico		Slovakia		United States		Russia		TOTAL	
Employees by employment type	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Full workday (8h)	1,211	3,516	355	1,081	197	51	174	402	870	412	704	1,328	15	20	5	4	3,529	6,814
Without workday control	73	293	0	28	0	0	0	0	9	28	0	9	2	5	0	0	84	363
Total	1,284	3,809	355	1,109	197	51	174	402	879	440	704	1,337	17	25	5	4	3,613	7,177
Employees by job category	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Vice-presidents and President	1	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	7
Directors	1	16	0	2	0	0	0	3	0	0	0	1	0	1	0	0	1	23
Sr Managers	4	44	4	5	0	0	2	8	0	6	0	7	0	3	0	2	10	75
Leaders	20	54	18	31	3	2	5	9	11	17	9	26	3	1	1	0	70	140
Administrative	216	650	117	196	27	35	32	66	67	86	100	205	12	15	3	2	574	1,255
Operational (Direct & Indirect)	1,005	2,972	216	874	167	14	135	316	801	331	595	1,098	2	5	1	0	2,922	5,610
Others	37	66	0	1	0	0	0	0	0	0	0	0	0	0	0	0	37	67
Total by gender	1,284	3,809	355	1,109	197	51	174	402	879	440	704	1,337	17	25	5	4	3,615	7,177
Total by country	5,093		1,464		248		576		1,319		2,041		42		9		10,792	

content	message from leadership	profile	innovation for sustainability	responsibility and efficiency in the value chain	environmental performance	engaged people	adjacent information	GRI index	credits
Energy consumption		Emissions		Waste		Employee Profiles		Corporate education	

Corporate education

GRI G4-LA9

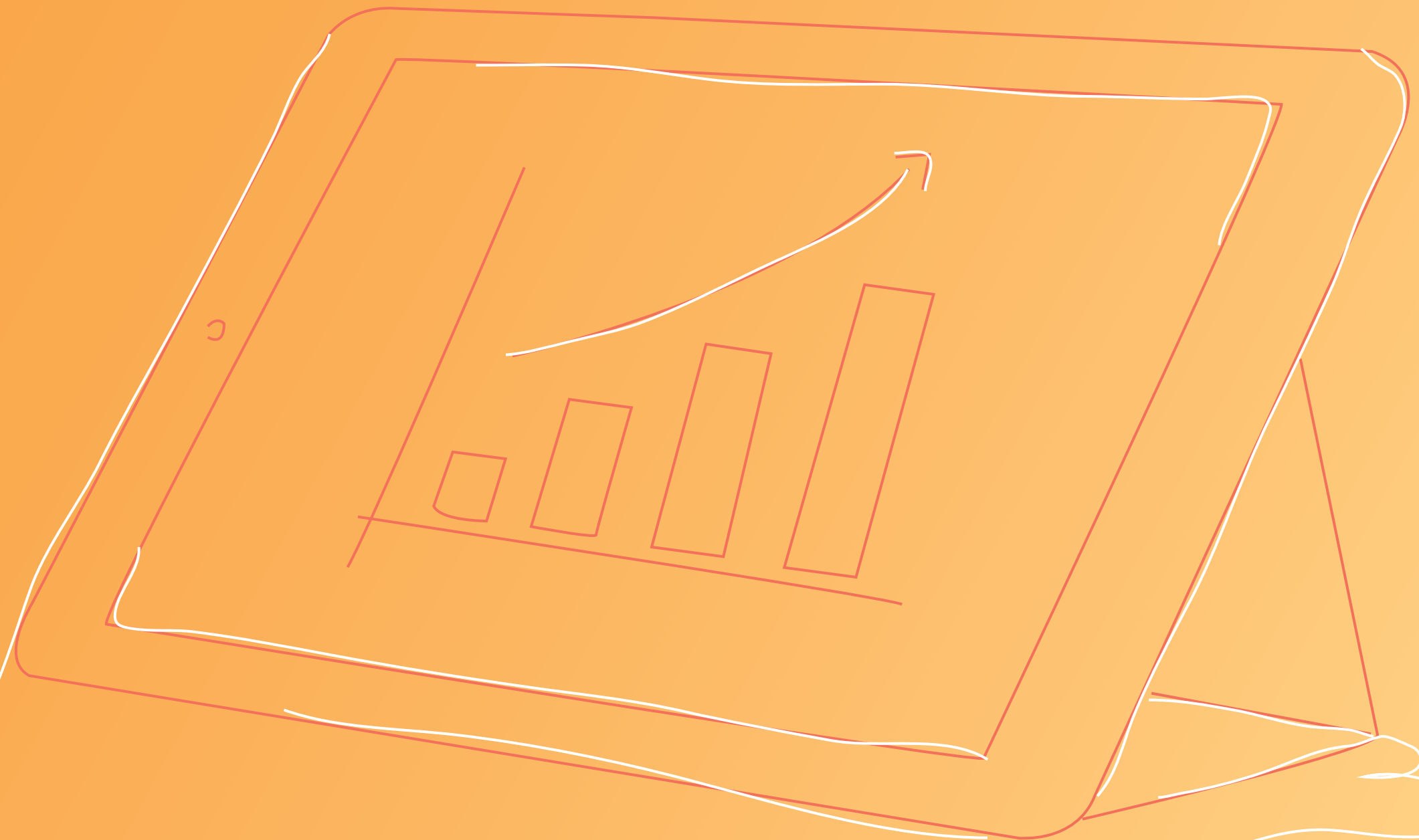
Training Average 2016

Job Category	Brazil		China Compressors		China Electronics		Italy		Mexico		Slovakia		United States		Russia		Average by gender		Average by job category
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	
Executive (President, VP, Director, Sr Manager)	15.7	19.9	21.1	27.2	-	137.0	24.3	14.7	-	-	-	28.8	30.0	43.3	-	4.0	19.6	21.3	21.1
Leaders	24.4	22.2	21.7	35.9	51.5	92.0	74.6	18.1	2.3	3.8	20.8	20.2	45.0	40.0	4.0	-	24.7	22.2	22.9
Employee (Administrative, Operational and Others)	4.3	8.5	73.4	108.4	64.2	48.3	4.3	10.9	1.9	1.7	5.5	10.4	5.0	5.0	8.8	4.0	14.3	23.3	20.7
Average per employee	4.7	8.9	70.1	106.4	64.1	51.8	6.2	11.1	1.9	1.7	5.7	10.6	8.8	13.0	8.0	4.0	14.6	23.3	20.8

Training Average 2015

Job Category	Brazil		China Compressors		China Electronics		Italy		Mexico		Slovakia		United States		Russia		Average by gender		Average by job category
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	
Executive (President, VP, Director, Sr Manager)	4.1	4.8	26.3	17.6	0.0	0.0	19.5	32.1	0.0	0.3	-	67.2	-	32.0	-	1.5	14.0	16.3	16.1
Leaders	23.1	23.8	25.0	39.5	66.7	152.0	56.7	64.8	2.0	1.9	36.4	41.9	22.0	30.0	1.0	0.0	25.9	32.5	30.3
Employee (Administrative, Operational and Others)	10.5	11.2	100.8	259.5	54.7	42.8	32.1	26.2	1.1	3.9	10.9	16.6	5.4	4.5	4.0	1.5	20.2	51.1	40.7
Average per employee	10.6	11.3	96.1	251.8	54.9	52.0	32.7	27.2	1.1	3.7	11.2	17.4	8.3	9.9	3.4	1.5	20.3	50.3	40.2

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GRI G4-32

PROFILE

Ref.	Description	Direct response or page indication	Global Compact	SDG
1. Strategy and Analysis				
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organization	6		
G4-2	Description of key impacts, risks and opportunities	17		
2. Organizational Profile				
G4-3	Name of the organization	8		
G4-4	Primary brands, products, and/or services	8		
G4-5	Location of organization's headquarters	8		
G4-6	Number of countries where the organization operates	8		
G4-7	Nature of ownership and legal form	Whirlpool S.A. compressor unit		
G4-8	Markets served	8		
G4-9	Scale of the organization	8		
G4-10	Profile of the workforce	46		8
G4-11	Percentage of employees covered by collective bargaining	46	3	8
G4-12	Description of Company's supply chain	26		
G4-13	Significant structural changes during the reporting period	In the period covered by the report there were no relevant changes in the structure		
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	19		17
G4-16	Significant participation in advocacy associations and/or national/international entities in which the organization: has seats in groups responsible for corporate governance; participates in projects or committees; contributes with substantive funding beyond the basic rate as an associated organization	22		17

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								GRI index	

Ref.	Description	Direct response or page indication	Global Compact	SDG
3. Identified Material Aspects and Limits				
G4-17	List of entities included in the financial statements	For strategic reasons this information is not disclosed		
G4-18	Process to define report content and boundary	4		
G4-19	List of material aspects identified in the content definition process	4		
G4-20	Limit of each material aspect for the organization	The materiality process did not include the definition of the limit of each aspect.		
G4-21	Limit of each material aspect outside the organization	The materiality process did not include the definition of the limit of each aspect.		
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports	There are no restatements of information provided in previous reports.		
G4-23	Significant changes from previous reporting periods in the scope, limit of aspects addressed	4		
4. Stakeholder Engagement				
G4-24	List of stakeholder groups engaged by the organization	4		
G4-25	Basis used to identify and select stakeholders for engagement	Identification and selection of stakeholders for engagement based on internal studies		
G4-26	Approach adopted by the Company to engage stakeholders and frequency of engagement	4		
G4-27	Main topics raised during the stakeholder engagement and measures adopted by the Company to address them	4		

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Ref.	Description	Direct response or page indication	Global Compact	SDG
5. Profile of Report				
G4-28	Reporting period	2		
G4-29	Date of most recent previous report	2014		
G4-30	Reporting cycle	Biennial		
G4-31	Contact data for questions regarding the report	68		
G4-32	Option for applying (core or comprehensive) GRI index guidelines and external verification	This report complies with the G4 Core option Guideline		
G4-33	Policy and practice to submit the report to an external assurance	Our Sustainability Report 2015 & 2016 has not been subjected to external assurance		
6. Governance				
G4-34	Governance structure, including committees	10		
7. Ethics and Integrity				
G4-56	Organizational values, principles, standards and norms of behavior, such as conduct and ethics codes	9 and 11	6	16

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PERFORMANCE

Ref.	Description	Direct response or page indication	Global Compact	SDG
Economic Performance				
EC3	Coverage of pension plan obligations defined that the organization offers	49		
EC5	Variation in proportion of lowest wage compared to local minimum wage in significant operational units.	49		5 and 8
EC6	Proportion of upper management hired from the local community in significant operating units	48		8
Environmental				
EN3	Energy consumption inside the organization	37	7	7, 12 and 13
EN5	Energy intensity	37 and 56	7	7, 12 and 13
EN6	Reduction of energy consumption	37 and 39	7 and 8	7, 12 and 13
EN7	Reductions in energy requirements related to products and services	14 and 23	7, 8 and 9	7, 12 and 13
EN15	Direct emissions of greenhouse gases (GHG) (Scope 1)	40 and 57	7	3, 12 and 13
EN16	Indirect emissions of greenhouse gases (GHG) from the acquisition of energy (Scope 2)	40 and 57	7	3, 12 and 13
EN19	Reduction of greenhouse gas emissions (GHG)	40 and 57	7	3, 12 and 13
EN23	Total weight of waste, broken down by type and disposal method	41 and 58	7	3, 6 and 12
EN24	Total number and volume of significant leaks	There were no significant leaks during the reporting period.	7	3, 6 and 12
EN28	Percentage of products and their packaging recovered in relation to the total products sold, by product category	35	7,8 and 9	12
EN32	Percentage of new suppliers selected based on environmental criteria	27	7 and 8	12
EN33	Significant actual and potential negative environmental impacts identified in the supply chain and measures taken	27	7 and 8	12

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Ref.	Description	Direct response or page indication	Global Compact	SDG
Social: Labor Practices and Decent Work				
LA1	Total and rates of new hires of employees and turnover by age group, gender and region	47	6	5 and 8
LA5	Percentage of workforce represented in formal health and safety committees, consisting of employees from different hierarchical levels, which help monitor and orientate health and safety programs at work	52		8
LA6	Rates of injury, occupational illnesses, days away, absenteeism and work-related fatalities by region and gender	53		3
LA8	Themes related to health and safety covered by formal agreements with unions	53	3	3 and 8
LA9	Average hours of training per year per employee, broken down by gender and job category	50 and 61		4, 5 and 8
LA10	Competence and continuous learning management programs that support the continued employability of employees in preparation for retirement	We offer different training options for our employees, however, none of them is focused on preparing for retirement		8
LA11	Percentage of employees receiving regular performance and career development analysis, broken down by gender and job category	51		5 and 8
LA14	Percentage of new suppliers selected based on criteria relating to labor practices	27	1, 2, 4 and 5	8 and 16
LA15	Real significant negative and potential impacts for labor practices in the supply chain and measures taken in this regard	27	1, 2, 4 and 5	8 and 16
Social: Human Rights				
HR5	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to eliminating child labor	We have no reports on child, forced, or slave-like labor in our direct supply chain. In 2015, we disassembled one of our compressors with the aim of analyzing the possible materials used that could contain raw materials known as 3TG (Tungsten, Tantalum, Tin, and Gold), which have a high risk of being sourced from the Democratic Republic of the Congo and neighboring countries, known as the Conflict Mineral Zone, and which uses child, forced, or slave-like labor for extraction.	1, 2, 4 and 5	8 and 16
HR6	Operations identified as having significant risk for incidents of forced or slave labor and measures taken to contribute to the elimination of forced or slave-like labor	After identifying that no direct suppliers have any facilities located in these regions, we forwarded a survey to our suppliers to specify materials that they use in producing components supplied to Embraco, with the intent to map them so that there are no materials sourced from there in the second link of the chain. Of the 145 suppliers analyzed in 2015, 46 were rated as High Risk of purchasing materials from the Conflict Mineral Zone. The survey for 2016 is still ongoing and the new supplier base rating should be ready by 2017.	1, 2, 4 and 5	8 and 16
HR10	Percentage of new suppliers selected based on criteria relating to human rights	27	1, 2, 4 and 5	8 and 16
HR11	Real significant negative and potential impacts on human rights in the supply chain and measures taken in this regard	26 and 27	1, 2, 4 and 5	8 and 16

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