

# GLOBAL COMPACT

COMMUNICATION  
ON PROGRESS (COP)

**2015**

# Message from the PRESIDENT

To all our  
stakeholders,

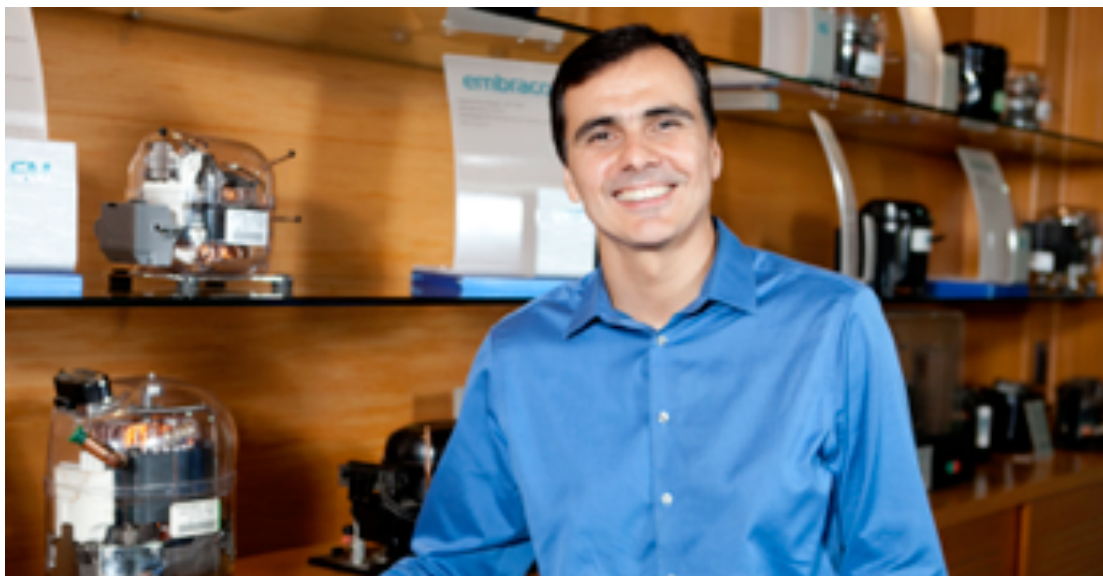
I'm pleased to renew Embraco's ongoing commitment towards supporting the Ten Principles of the United Nations Global Compact.

We have sustainability as a strategic guide for our business, so we've built a sound culture by adopting good practices and principles encompassing the areas of Human Rights,

Labor Relations, Environment and Anti-Corruption.

In this publication, we present our actions in each of these areas, the results achieved in 2015 for an increasingly value generating operation for our stakeholders and the transformation which we aspire for the future.

**LUIS FELIPE DAU**  
President of Embraco



At Embraco, one of our strongest commitments is to "think sustainable". This is evidenced by our actions in the communities where we operate, in environmental responsibility both on internal processes and the value chain, in developing the solutions we offer the market, and also in all decision-making spheres. We have sustainable development as a driver of the company's strategy, challenging and inspiring the actions that will be presented throughout this publication.



## URSULA ANGELI

### Vice President of Human Resources, Communication, Sustainability and Institutional Relations

## Introduction

Our business mission is to provide innovative solutions for a better quality of life, therefore, they are intrinsic behaviors in our activities and in our relationships, valuing each person in our value chain, ethics and respect for the environment.

Get to know our initiatives identified with icons:

-  Promoting Human Rights
-  Promoting Better Labor Conditions
-  Anti-Corruption
-  Preserving the Environment

# Responsible VALUE CHAIN

## Suppliers

We work with more than five thousand suppliers both direct - related the operational materials, and indirect - providing administrative materials, services and maintenance items. These suppliers are present in over 30 countries, and being aware of the reach our actions have on the reality of thousands of companies, we support their sustainable development.

Since 2012, we offer our direct suppliers, totaling around 500 companies, the Supplier Excellence Program, including workshops and multidisciplinary actions in order to raise this public's awareness and engagement for sustainability in relation, mainly, to efficiency and quality, reducing its environmental impact.

Also, to be a supplier for Embraco, the company must be aligned with our principles, set out in the code of conduct. That is, neither the supplier nor the contracted third parties may – under any circumstances – condone corruption, child labor, slave labor, discrimination, deforestation or other environmental violations, and must comply with all labor laws.

From 2009 onwards, all suppliers began to receive our code of conduct and, since then, were invited to participate in three self-assessment processes, which included profile issues, labor relation rights, environmental impact management and production chain control. Additionally, the Company counts on a systematic routine of monitoring sustainability KPIs and promotes quality audits with the suppliers.



It's worth noting that Embraco works with the aim of reducing the use of restricted substances in its operations.

With that in mind, the Company continuously evaluates the raw materials used in manufacturing products, seeking lower social-environmental impact and is in compliance and meets all regulations of the markets in which it operates. The Company also continues looking for constant improvement based on adherence to international best practices on the topic, such as the "Conflict Minerals" requirement, that, among other issues, restrict the use of minerals extracted from the Congo conflict zones in Africa, location where labor and human rights are not respected.



## Circular economy

Inspired by nature, where all cycles are closed and all elements are reused at the end of their useful life, in 2014, we created Nat.Genius, a new operation that uses decades of reverse logistics expertise of our compressors in Brazil to create a new business.

At the end of 2015, Nat.Genius was already operating in two units, with 80 employees dismantling and recycling components not only from Embraco, but from all manufacturers.

In all, since 2014 there have already been recycled 1.3 million compressors, reusing 4.7 thousand tons of steel.

EN

In addition to the clear positive impacts on the environment, the project plays a deeper social role, fostering a local network of suppliers and generating income for the community.

HR

In 2015, Embraco also initiated the Life Cycle Assessment studies (LCA) on compressors with Fullmotion and Wisemotion technologies.

The LCA methodology provides environmental analysis of the product's impacts from the extraction of raw materials through production, usage and end of life.

Thus, knowing in detail that cycle, the Company has the opportunity to implement improvements to mitigate its negative impacts and boost its value creation.

# 2.4

thousand tons  
of steel recycled with  
Nat.Genius since 2014





# Innovation for SUSTAINABILITY

We are world leader in cooling technology, always focused on innovation, we are one of the largest hermetic compressor manufacturers in the sector, with production capacity of 40 million compressors per year.

We have the constant challenge of being at the forefront in developing new technologies and solutions that meet our customers' demands and that promote energy efficiency, reduce consumption of natural resources and create solutions that offer increasingly less environmental impact.

For this, we have a Research & Development (R&D) area composed of more than 600 professionals, being 120 in partnerships with institutions, distributed in five countries, 47 laboratories, and the continued investment of 3% to 4% of our annual revenues in innovation.

In addition, our new business area works in partnership with startups and various institutions, in line with the open innovation concept, in other words, to look at references outside the core business to attain disruptive innovations and bring them to the business' reality.

Therefore, the Company seeks to position itself at the forefront of short and medium term transformation in its segment.

**In 2015, we were awarded 1 st place in the Large Companies Category in the Innovation Management Case of FINEP Innovation Award, promoted by FINEP (Financier of Studies and Projects). In the year, for the fourth time, we were also recognized by the Best Innovator ranking as one of the 10 most innovative companies in Brazil.**

This strong innovation culture provides us with important achievements.

From the environmental management perspective, Wisemotion is an example. Launched in 2014, it allows reducing the environmental impact in the production chain: it eliminates the need for lubricant oil, uses 50% less raw material to be produced, makes a 20% savings in energy possible and also allows new refrigerator design possibilities with less consumption of natural resources, since it can be placed in different positions inside the refrigerator.

# 20%

in energy saving

EN

# Doing more WITH LESS

## Lean thinking

We constantly assess our operation's processes in the pursuit of lean thinking, which is, producing products using increasingly less natural resources.

This means that our teams are always focused on avoiding waste of all inputs used in the operation, as shown in the following initiatives, as well as achieve continuous improvement, excellence in customer service and quality.

### WCM

In order to become increasingly more efficient, since 2013 we began implementing a complete system for continuous improvement focused on safety, quality and cost reduction, based on the World Class Manufacturing (WCM) methodology in all our operations.

Through WCM, we work on the simplification and organization of our work routine, to ensure **zero** accidents (learn more on page 12), **zero** waste, as well as productivity gains.

### Environmental management

One of the pillars of the WCM methodology works, specifically, on environmental and energy issues, with a focus on reducing the consumption of natural resources and waste generation.

**Energy** - In 2015, we consumed 260.7 thousand GWh, down 1% from the previous year's total.

Our energy consumption rate per unit produced fell by 4.58%, from 6.39 KWh/unit in 2014 to 6.11 KWh/unit in 2015.

**Water** - In 2015, we reduced by 9% the water consumption per compressor produced when compared to 2014 and we reused 10.8% of all the water that entered our units.

**Waste** - In 2015, we produced 109.9 thousand tons of waste, a 3.0% decrease over last year. Of this total, 86% was recycled, up one percentage point compared to 2014.

**Emissions** - In 2015, our direct emissions totaled 39.1 thousand tCO<sub>2</sub>, down 1.6% over the previous year, and indirect emissions totaled 72.3 thousand tCO<sub>2</sub>, a 1.2% decrease. Therefore, total emissions fell by 1.3%, totaling 111.4 thousand tCO<sub>2</sub>.

EN



# 9%

less water to produce a  
compressor in 2015



**Manutenção  
Profissional**

Professional  
Maintenance





# Social DEVELOPMENT

## Our employees

Our approximately 11,000 employees distributed in seven countries, are essential for sustainable business development.

For this reason, we continually seek to stimulate their professional development, recognize their performance through compensation and benefits in line with the market's best practices, provide an inclusive environment that values diversity as well as caring for their health, safety and quality of life on a daily basis.

Learn more in the following subsections.

### Professional development

People Excellence is part of the business strategy and has a significant impact on the Company's results and achievements, by boosting the individual and collective talents, inspiring a winning culture and creating competitive advantages that allow us to achieve results beyond expectations.

We invest in developing our people through on-the-job training, job rotation among units worldwide and by offering scholarships for technical and post-graduate courses.

Strategically, we support the employee in the professional development necessary for their next hierarchical level, while helping to build their career plan, so they can be prepared for their future step at Embraco.

The Company also promotes the Engagement Survey, conducted with employees both from administrative and manufacturing departments, through a tool that evaluates three dimensions:

**Extraordinary Performance** - employee alignment with the Company's strategy and goals.

**Great People** - skills and right capabilities that create a competitive advantage.

**Winning Culture** - Embraco values into practice, focusing on the client to overcome competition through an inspiring and extraordinary performance, while allowing that everyone reach their full potential.

80%

employee engagement  
achieved in 2015

## Diversity and inclusion

Valuing diversity is part of company's leadership model.

Apart from respecting the cultural and racial diversity inherent in the business because of its global profile, in 2015, the Company worked to promote women's empowerment and inclusion of people with disabilities.

**Women's empowerment** – Embraco monitors the percentage of women in leadership positions and seeks to create initiatives that strengthen meritocracy, providing women with conditions to progress in their careers.

**Inclusion of people with disabilities** - when promoting diversity, the inclusion of people with physical and intellectual disabilities in the Company's workforce is an important aspect, as well as monitoring and encouraging their development through awareness-raising campaigns, training and close monitoring of teams.



## Health and Safety

Taking care of our employees' health and safety is an ongoing commitment of the Company.

To ensure this in practice, regarding workplace safety, Embraco has adopted globally Behavior-Based Safety, a program which seeks to build and maintain a safe work environment. Since 2010, it has engaged employees, suppliers and visitors on the Golden Rules to keep their safety as a priority in everyday activities.

When it comes to promoting health and quality of life, the Company always seeks to be close to its employees, supporting prevention and care, while also providing support in the physical or psychological difficulties of their lives.

L



## Social Investment

We believe in our potential to transform the reality in the communities where we operate. Accordingly, we make every effort to engage our employees in social projects that bring benefits to people that live near our plants and offices around the globe.

In 2015, we invested approximately US\$ 120 thousand in social projects in the communities in which we operate in Brazil, China, Slovakia, Italy and Mexico, which have benefited and contributed to the well-being of over 28 thousand people.

### Embraco Ecology Award

In 2015, we held the 23<sup>rd</sup> edition of the Embraco Ecology Award, which recognizes public and private schools in Joinville (SC, Brazil) by creating solutions that benefit the environment.

The award is divided into Action and Transformation categories and the winners receive, respectively, R\$ 8,000 and R\$ 24,000 to develop their project, strengthening environmental education.

In addition to the monetary value, the Embraco Ecology Award offers support to the winners' activities, such as monthly monitoring of projects by consultants specialized in environmental education, training workshops for the projects' coordinating team in schools, visits by Embraco to check the projects' progress and publication of the bimonthly magazine called

During this period, we also offered close to five thousand hours of community work, carried out with the support of over 350 volunteers, with actions such as Embraco Ecology Award, held in Brazil and Slovakia, and voluntary actions, such as Global Volunteer Day ("Prove um Dia Diferente" - *Prove - A Different Day*).

Actions such as those generate competitive advantage for us and contribute toward building a better business and a better world.

HR

"*Ambiente-se*", which aims to disseminate the actions that are being implemented by schools. In the last edition five institutions were awarded:

#### Action category

- *CEI Professora Alzelir Teresinha Gonçalves Pacheco*
- *CEI Cachinhos de Ouro*
- *Escola Municipal Alfredo Germano Henrique Hardt*
- *Escola de Educação Básica Professora Alícia Bittencourt Ferreira*

#### Transformation category

- *CEI Alegria de Viver*

The award is also given in Slovakia. In its seventh edition, it granted US\$ 11,000 to eight schools for their recycling and waste reuse projects in 2015.

EN



# Ethical CONDUCT

We have a structure dedicated to promote ethical conduct in business and relationships aiming to combat corruption in all its forms.

**Our Ethics Committee** manages issues regarding the conduct expected from our employees and suppliers as well as maintains the communication channels that receive complaints or claims.

**A list of 15 policies** and principles establishes the guidelines to maintain ethical conduct, besides an anti-corruption management system, Letter of Organizational Values – which are adhered to by all employees – as well as the Code of Conduct for our suppliers.

**The Compliance Program** has a management and indicators system, provides for the audit of the various activities of the Program - such as the training of all new employees and annual Compliance Certification for all leaders -; it also offers a confidential questioning and reporting communication process, ensuring no retaliation.

**We adhere to the requirements of the Sarbanes-Oxley Act (SOX)**, a North American law created to reduce the risk of financial fraud, which provides for all significant internal controls to be documented and tested by the Internal and External Audit. In addition to SOX, to ensure the integrity of our operation, we conduct operational audits in our units: 100% of them are subject to periodic review of all internal control processes.

**All new employees are trained** on hiring and the remaining employees periodically go through a knowledge updating process, receiving instruction on topics such as corruption, money laundering and antitrust actions. These documents and information are also available at all times for consultation on the intranet and website.

In 2015, the Company held training based on Embraco's values, including ethics, for all employees in Brazil and intends to expand that initiative to other units in 2016.

AC

September, 2016

**embraco** POWER IN.  
CHANGE ON.

**Content and Layout**

**RICCA RI**

**Photographers**

**André Kopsch**

**Marcelo Caetano**

**Press photo**

**Development**

**Eliza Hostin Silva**

**Michelle Scachetti**

**Patrícia de Morais Della Justina**