At the regular Management Board meeting held on December 15, 2014 the Management Board of the company Gorenje, d.d., adopted the following

COMPETITION COMPLIANCE POLICY AND COMPETITION LAW COMPLIANCE MANUAL

The documents pertain to the parent company Gorenje, d.d., and its subsidiaries which, along with the parent company, comprise the Gorenje Group (hereinafter Gorenje or the Group).

COMPETITION COMPLIANCE POLICY

Gorenje operates in multiple countries and markets and is therefore subject to the general principles, adopted in many competition laws of free and fair trade. It is the policy of Gorenje and the obligation of every employee to strictly comply with the applicable competition laws.

Gorenje will make arrangements to promulgate this Policy and make available adequate learning opportunities for its employees to understand and therefore comply with any competition law obligations.

Gorenje will evaluate this Policy on an annual basis to determine whether the Policy is effective in promoting and achieving compliance with applicable competition laws.
The objective of the Competition law compliance manual (hereinafter Manual) is to provide guidance to all Gorenje employees, with regard to the main principles of competition laws and to assist them in compliance.

This Manual is aimed at raising the level of awareness of competition rules and that is why it is necessary to seek more specific information about the precise legislation applicable to any particular action and therefore this Manual is not to be used as legal advice. This Competition Compliance Manual cannot cover all facts and circumstances that the employee may encounter in the business activities. The Manual should not be considered as a checklist, but rather as rule and guidance in assessing anti-competitive behavior.

If you are uncertain or have questions or concerns (for example how you should adhere to them in a specific situation), it is essential that you consult legal advisor, superior or authorized person within your company and ask for guidance. If necessary, they will coordinate with the Legal Department of Gorenje, d.d., regarding possible next steps.

Introduction to Competition law

The purpose of competition law (also called antitrust law) is to ensure and maintain effective competition in the marketplace. Competition laws guard against anti-competitive agreements and the abuse of market power. When we speak about competition law in this compliance Manual, we have two very specific rules in mind:
- the prohibition of agreements, or concerted practices, between undertakings with the object or effect to restrict competition
- the prohibition to abuse a dominant position on a relevant market.

The two prohibitions mentioned above are also set forth in the Treaty on the Functioning of the EU (hereinafter TFEU) in Article 101 and 102. They apply directly in all EU Member States. Moreover most of the Member States also have their own national competition laws. Competition laws are also introduced elsewhere. Although attempts are made to harmonize the various competition rules around the world and increase cooperation in enforcement among competition regulators, there is no single multinational competition regime. Although there are many local differences, the two prohibitions as above can nevertheless be considered to be the core of those rules. In the Manual there will be focus on EU competition law although it is important to be familiar with and to comply with national laws in each country where Gorenje has its activities.

AGreements

One of the fundamental principles of competition laws is that markets function best when individual competitors make business decisions independently of each other. European competition law prohibits agreements or concerted practices between undertakings that have as their object or effect to restrict competition.
Article 101 of Treaty on the Functioning of the European Union

1. The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market, and in particular those which:
   (a) directly or indirectly fix purchase or selling prices or any other trading conditions;
   (b) limit or control production, markets, technical development, or investment;
   (c) share markets or sources of supply;
   (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
   (e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:
   - any agreement or category of agreements between undertakings,
   - any decision or category of decisions by associations of undertakings,
   - any concerted practice or category of concerted practices,
   which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:
   (a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
   (b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

Agreement

Agreements between undertakings are agreements in which the undertakings express their joint will to restrict the freedom of its operations. Agreements are not necessarily a civil law contracts, because the concept of agreement in competition law is broader and can include oral and written agreements, formal and informal agreements (gentlemen’s agreements) implicit or explicit deals or understandings.

Types of agreements:
- horizontal (between persons on the same stage of economic process, agreements between competitors, for example between vendors),
- vertical (between persons at different stages of the economic process, the agreement between non-competitors, for example between the manufacturer and the seller).

Independence

One of the underlying principles of competition law is that competition between independent undertakings ultimately provides the customer with the best products or services, for the lowest prices. Competition requires the undertakings involved to decide upon their competitive behavior independently from other undertakings. As soon as that independence is restricted, for instance by collusion or by implicit understandings, competition is restricted.

Agreement between companies
Competition law applies to agreements between independent companies. 100% subsidiaries of a company typically are not considered to be independent companies, as they normally do not act autonomously but generally follow the instructions given by their parent company.

**Concerted practices**
Concerted practices are concerted acting of subjects on the market, which are normally competitors and the result of a concerted practices is that competition that previously existed, ceases. A concerted practice is a form of coordination between undertakings which, without having reached the stage where an agreement has been concluded, knowingly substitute practical cooperation between them for the risks of competition. Especially exchanges of confidential information between competitors are often found to qualify as a concerted practice.

**Object or effect on restricting competition**
All agreements between undertakings which have as their object or effect the prevention, obstruction or distortion of competition within the internal market are prohibited.

**Illegal contacts between competitors**
Contact between competitors may give rise to concern from a competition law perspective. Competition authorities can be suspicious about the real intentions for competitors to meet. It is necessary to be careful when meeting competitors, also on informal occasions, and consider whether the purposes for meeting are allowed from a competition law perspective. The most striking examples of anti-competitive contacts between companies include price fixing, sharing the markets or customer allocation, production or output limitation. Such practices are often kept secret and generally referred to as ‘cartels’. They are qualified as ‘hardcore’ restrictions of competition as they are by their very nature most likely to restrict competition.

**DO's and DON'Ts’ when dealing with Competitors**
The implications of the competition law in daily practice can be unclear; therefore Do’s and Don’ts lists can help you in certain situations.

**What you are expected to DO is:**
- avoid contact unless you have a legitimate reason for it,
- go on record as regards the purposes of your meeting,
- ensure meeting minutes are made as it shows that the meeting had a legitimate purpose and was not used as a forum for illegal collusion between competitors
- limit conversations with competitors to market, business and industry generic topics, without sharing or agreeing on mutual actions,
- carefully consider whether information is commercially sensitive and therefore confidential,
- refuse to engage in any form of discussion with a competitor who is looking to obtain confidential information or business secrets and go on record about this,
- respond to anti-competitive offers or suggestions making clear that Gorenje does not wish to be involved in any potentially anti-competitive activity,
• if a competitor starts discussing any of the items listed under “DO NOT” below, always state that you cannot discuss such matters and terminate the conversation.

DO NOT
• discuss or agree to price fixing, timing of pricing changes or other terms and conditions on which Gorenje do business,
• discuss or agree to restrictions concerning markets or marketing schedules,
• discuss or agree on joint action designed to fix or manipulate the evolution of market shares artificially,
• discuss or fix quotas on output or sales,
• discuss or agree to the boycotting of any customers, competitors or suppliers,
• discuss or agree to limit or control any investment or technical development,
• allow access to, seek access from or discuss confidential or other unpublished business information (such as prices, surcharges, costs of production or distribution, profitability, strategy, business and marketing plans, product development plans, information on customers).

Decisions by associations of undertakings

Particular care is required in relation to participating in trade associations, professional association and other industry gatherings (hereinafter Associations). Although it is perfectly legitimate for companies to participate in mentioned associations, such activities are not allowed to go beyond such legitimate purpose and notably should not be used as a forum for illegal collusion between competitors, for example by facilitating price fixing or market and customer allocation arrangements.

DO’s and DON’Ts’ within Associations

What you are expected to DO is:
• obtain approval before joining any Association,
• obtain approval to join the board or any decision-making body of Association,
• make sure that an agenda is prepared in advance of any meeting and that this agenda is strictly complied with,
• ensure that minutes are recorded and distributed,
• actively distance yourself from any decision taken or to be taken by the Association which may infringe competition laws. If it continues, leave the room and make sure that your action is recorded,
• apply the same principles in discussions outside the formal Association meeting.

DO NOT
• participate in any Association gatherings where any of the above “DON’Ts’ when dealing with Competitors” subjects are discussed,
• exchange commercially sensitive information (such as market shares, cost factors, etc.),
• as a trade association, issue advice to the members on any commercially sensitive issues, such as price and cost factors,
• use the Association as a body to take decisions which would not be allowed if taken by a company or a group of competitors,
• implement any decision taken by a trade association which may infringe on competition laws.

Dealing with suppliers, distributors and customers

Agreements with suppliers, distributors and customers for the purchase and sale of goods or services are generally allowed. These agreements are referred to as vertical agreements because each company has a different level in the production or distribution chain (for example agreement between the manufacturer and the seller). By this type of agreements, there are some situations or circumstances that may result in a violation of the principles of competition laws. The following should be considered carefully:

- **Resale price maintenance is prohibited.** This means a supplier may not impose on its buyers, distributors, or dealers a (minimum) resale price. Supplier should never dictate the price level at which the buyer should re-sell the products or services. It is also prohibited to intimidate, delay or suspend deliveries or terminate contracts in order to ensure that a certain price level is preserved. Specific examples are fixed maximum level discounts, fixed distribution margins, linking discounts or promotional cost repayments to maintaining particular price levels. It is also not allowed to reward resellers on the basis of their conformity with suggested resale prices.

- **It is allowed to give a non-binding price recommendation for resale prices** of branded products, if no direct or indirect pressure is exercised to enforce such recommendation.

- **Resale restrictions placed on any customer to limit the resale to particular customers or territories** pose potential legal risk as such restrictions are allowed under certain conditions with which you should be acquainted beforehand.
ABUSE OF DOMINANT POSITION

Article 102 of Treaty on the Functioning of the European Union

Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:
(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
(b) limiting production, markets or technical development to the prejudice of consumers;
(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

If companies have a large proportion of the business in a particular market, they are likely to hold a dominant position in that market. Dominant companies can act independently of other market players. They are not subject to normal competitive restraints and could, for example, raise prices to monopoly levels. Such companies have a special responsibility not to engage in behavior, which is considered abusive.

Several factors can be used to determine whether company has a dominant position. In general terms, a company is more likely to be at risk of being considered to be in a dominant position where its share of the relevant market is 40% or more. Factors such as the number and size of competitors on the market, entry barriers such as licences, and buying power are also important.

Dominance in itself is not prohibited, but abuse thereof is. Examples of abusive conduct on the part of dominant companies are: charging unreasonably high prices which may exploit customers, charging unrealistically low prices which may be used to drive competitors out of the market, unjustified discrimination between customers and forcing unjustified trading conditions on trading partners.
COMMUNICATION AND USE OF LANGUAGE

Be careful about the language that you use, whether in writing, e-mails, text messages or conversations. It is important not only to comply with the law but also not to create any documents that give a misleading impression that you are engaging in an illegal activity. Perfectly legal behavior can become suspicious because of a poor choice of words.

The following words, terms and phrases should be avoided in any communication:
- destroy or delete after reading,
- no copies / records,
- this is off the record,
- we are the monopolist,
- we will dominate the market,
- a “right” margin,
- fix prices/control prices,
- control/stabilize market,
- eliminate from market,
- smash/destroy the competition,
- boycott.
THE RISKS OF NON COMPLIANCE WITH THE COMPETITION LAW

Fines
Non-compliance with the competition law may lead to heavy fines being imposed. Both the company and, depending on the jurisdiction, employees of the company in certain cases can be held liable for infringements of competition law.

Fines on Companies
Fines imposed on companies which infringe competition laws are very high. The maximum fine in the EU is 10 percent of the company’s annual worldwide turnover. The amount of a fine depends on the gravity and the duration of the infringement in question.

Fines on Individuals
Various national competition laws contain provisions which allow criminal sanctions to be imposed on individuals following a breach of competition law, and even jail sentences are applied.

Others risks
Aside of the risk of heavy fines, the risks of non-compliance come down to:
- **litigation risk**: companies can be sued for damages by third parties who can show that they have incurred losses or damages as a result of anti-competitive practices,
- **contractual risk**: agreements or provisions in agreements which infringe competition law are unenforceable,
- **adverse publicity risk**: the bad publicity which surrounds any major competition case can cause damage to company’s respective reputation,
- **management time**: an investigation require significant time, resources and management input to defend even if the company ultimately prevails.
WHAT COMPANIES AND EMPLOYEES CAN DO TO RESPECT COMPETITION LAW

Each Gorenje Group company and its directors should:
- inform employees with this Policy and Manual,
- inform employees, especially those working in sales departments with national competition legislation (by themselves or through legal counsel – an in-house lawyer, local lawyer or law firm),
- provide to all employees working in sales departments a valid national competition legislation,
- organize training sessions from time to time for employees on competition law, especially those working in sales departments,
- after previous steps are taken, obtain acknowledgment that employees are aware of the competition law and that they will comply with competition law, Policy and Manual (attachment 1),
- ensure full compliance of the company and its employees with competition law,
- monitor compliance with competition law,
- inform employees that the violation of competition law can have serious consequences for the company and that such conduct constitutes a breach of the employment contract,
- in case any doubt exist as to whether any act may infringe or has infringed competition law, consult with companies legal advisor or Legal Department of Gorenje, d.d.,
- in cases of non-compliance or infringement of competition law, make sure that the infringement is terminated.

Each employee should:
- strictly comply with the applicable competition law,
- comply with Policy and Manual,
- in case any doubt exist seek advice on whether or not a particular activity complies with competition law.
IN CASE OF INSPECTION BY THE COMPETITION AUTHORITY

To enforce competition law Competition regulators usually have extensive powers to investigate, including carrying out investigations on the spot without prior appointment. The investigators often have the power to examine; copy and seize evidence of the company's activities such as internal records, computer records, e-mail, as well as external communications.

In case of inspection by the competition authority it is necessary to:
- immediately notify local legal counsel, who will provide expert assistance in the time of inspection,
- immediately notify the Managing director of company Gorenje Beteiligungsgeellschaft GmbH and Head of the Legal Department of Gorenje, d.d.,
- cooperate with the competition authorities, because in the case of non-cooperation both for company and for individuals heavy fines are prescribed,
- upon the request for review and forwarding of business documentation, the documentation should be limited to essential and demanding documentation,
- all documentation that was or will be submitted to the competent authority must be copied, so that there is no doubt to determine which documents were forwarded to the competent authority.
FINAL PROVISIONS

The Competition compliance policy and Competition law compliance manual is effective as of the day it is adopted by Management Board of the company Gorenje, d.d.. Upon adoption the Competition compliance policy and Competition law compliance manual shall become binding for all companies of the Gorenje Group. The Competition compliance policy and Competition law compliance manual is a publicly available document published on company website at www.gorenje.com in Slovenian and English.

Franc Bobinac
President and CEO
Attachment 1

Acknowledgment

I have read and understood the Competition compliance policy and Competition law compliance manual.

I will at all times comply with the competition law, Competition compliance policy and Competition law compliance manual.

Date _____________, Place______________

Name _____________________________

Signature ___________________________

Company ___________________________

Title or Position ______________________