



I N T E R N A L C H A R T E R
A U D I T C O M M I T T E E
L U P A T E C H S / A
Corporate Taxpayer (CNPJ/MF) No. 89.463.822/0001-12
Corporate Registry NIRE 43.3.0002853-4

CHAPTER I
PURPOSE

Article 1: This charter is intended to establish norms for operation of LUPATECH S.A.'s Audit Committee and definition of its responsibilities and attributions, subject to the Bylaws, the Corporation Law, as well as to the good corporate governance practices.

CHAPTER II
AUDIT COMMITTEE COMPOSITION

Article 2: O Audit Committee, hereinafter referred to as “*Committee*” only, is composed by a minimum of three (3) and a maximum of five (5) effective members and their respective alternates, shareholders or not, elected and with the possibility of being destitute at any time by the General Meeting.

CHAPTER III
EMPOWERMENT

Article 3: The members of the Audit Committee (Counselors) shall be empowered to hold their offices by signing the instrument of empowerment in the book of the Audit Committee's Meetings, for the office of the period for which they were elected, with reelection being admitted. Prior execution of the Instrument of Agreement set forth in the Regulation of BOVESPA New Market is a condition for empowerment.

Article 4: The instrument of empowerment shall be signed in the thirty (30) days following the election, under penalty of becoming of no effect and in addition to the Counselor's identification, it shall contain indication of his domicile.

Article 5: Upon expiration of the time set forth above without the Counselor having being empowered, the Chairman of the Committee shall declare vacancy in the position.

Article 6: At the first meeting to be held, Audit Committee members shall elect its Chairman, by the majority vote of such members.

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Article 7: The Counselors shall keep the Company updated with regard to its addresses, telephone, fax and mobile phone numbers, electronic addresses (e-mail), and shall provide copies of the following documents: Identification Card, CPF/MF Card, *Curriculum Vitae* and they shall further provide the declarations required by the Bylaws, the Law or CVM.

CHAPTER IV **IMPEDIMENTS, VACANCIES AND REPLACEMENTS**

Article 8: The function of the Audit Committee's member cannot be assigned. In the events of impediments or vacancies, the Audit Committee's members shall be replaced as follows:

- a) Any Counselor absent from three (3) consecutive ordinary meetings, or five (5) alternate meetings, shall be definitively replaced by his alternate, upon call by the Chairman of the Committee.
- b) Any Counselor impeded from exercising his mandate on account of circumstance subsequent to his election or appointment, shall immediately communicate the fact to the Chairman of the Committee, who shall call the respective alternate.
- c) In the event of a vacancy, the respective alternate shall hold the Office, upon call by the Chairman of the Committee.
- d) The occasional replacement of the effective member by his alternate shall only occur upon communication of effective member's impediment.

Article 9: The Chairman of the Committee shall be replaced by any of the other Counselors, as indicated by the majority thereof, in the event of an occasional absence.

Article 10: In the event of impediment or vacancy of the Presidency, the other members shall elect the new Chairman of the Committee.

CHAPTER V **COUNSELORS' COMPENSATION**

Article 11: The compensation of the Audit Committee members shall be established by the General Meeting which elects them, and shall not be less, for each member holding Office, ten percent (10%) of the average compensation ascribed to each Executive Officer, with exclusion of the benefits, representation allowances and statutory gratifications.

Article 12: The Counselors shall be reimbursed for displacement and accommodation expenses, as necessary to perform their function.

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CHAPTER VI **CHAIRMAN'S ATTRIBUTIONS**

Article 13: It is incumbent on the Chairman of the Committee:

- a) To call the Committee's meetings, establishing date and place for the holding thereof.
- b) To supervise the General Secretary.
- c) To preside over the Committee's meetings, it being then incumbent thereon:
 - i) To open, adjourn and close the works.
 - ii) To decide on matters or order.
 - iii) To submit the discussed matters to voting and to announce the decision made.
 - iv) To submit to the full session authorization for discussion and resolution on matters not included in the meeting's agenda.
 - v) To request issuance of opinion by one of the Company's bodies, a specialized consultant or a consultancy firm, about complex or controversial subjects.

CHAPTER VII **AUDIT COMMITTEE'S MEETINGS**

Article 14: The Audit Committee shall meet:

- a) Ordinarily, at least on a quarterly basis.
- b) Extraordinarily, whenever suitable or necessary.

Article 15: The meetings shall be called by the Chairman of the Committee or, in his absence or impediment, by at least two (2) Counselors, jointly, as follows:

- a) At least three (3) days in advance.
- b) By e-mail, fax, letter, or any other communication means.
- c) With indication of the agenda, date, time, place and form of the meeting.

Article 16: The meetings shall be preferable held at the Company's principal place of business. They may be exceptionally held virtually, by "teleconference" or "tele-video conference".

Article 17: The Committee's meetings shall be held upon attendance of at least the majority of its members, and the resolutions shall be always taken by majority vote of those present.

Article 18: In addition to the Committee members, also the General Secretary shall attend the meetings, without voting rights.

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Article 19: The Executive Directors, employees, consultants and Audit Committee members may be invited to participate in the meetings, without a right to vote on the resolutions, remaining at the meetings during the time of the discussion on the matter of his specialty, which originated the call, or on which he must issue an opinion.

Article 20: The Counselors' votes shall be summed up by the Chairman, immediately after the end of discussions and then the result shall be announced and the voting result shall be recorded in the minutes.

Article 21: Any Counselor may present declaration of vote, either written or verbal, when the voting is being processed or, if applicable, to record his divergence or proviso.

Article 22: Before the voting is ended and the result is announced, any Counselor who has already cast his vote may request to the Chairman the recording of the vote reconsideration, and such circumstance and the new vote cast shall be recorded in the minutes.

Article 23: Any of Committee's meetings may have a secrecy nature, wholly or partly, if, at the Chairman's discretion, there is a subject whose nature recommends so, including in regard to the decisions made.

Article 24: At the beginning of the works, the Chairman shall inform the collegiate body of the sequence of the matters to be examined, taking into account the following factors:

- a) Priority subject on account of urgency or whose term for decision is regulated by legal norm.
- b) Subjects whose decision was interrupted for any reason.
- c) Subjects which were not decided in the preceding meeting.
- d) Ordinary subjects included in the agenda.
- e) General subjects.

Article 25: During the discussion of the matters in the agenda, the Counselors may:

- a) Propose measures or request clarifications, either verbal or written, for the perfect support to the subject being discussed.
- b) Request urgency or preference for discussion and voting of certain subject.
- c) Propose adjournment of the discussion of the subject contained in the agenda or its withdrawal from the agenda.
- d) Request examination of the documents under discussion, for the purpose of justifying his vote.

Article 26: The Audit Committee's minutes shall be transcribed in the pertinent book, as a summary, as permitted by paragraph 1 of article No. 130 of Law 6,404/76.

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CHAPTER VIII **THE GENERAL SECRETARY**

Article 27: The Audit Committee shall have a General Secretary, who may be a Company employee or not, to assist and help it in the performance of its attributions.

Article 28: It shall be incumbent on the General Secretary:

- a) To satisfy Counselors' requests, in all that related to the Committee's operation.
- b) To be the Secretary to the Committee's meetings and to write the respective minutes.
- c) To help in the preparation of the agenda of the calls and to send them after the Chairman's authorization.
- d) To receive and prepare the material to be sent to the Counselors.
- e) To provide Counselors with the information requested.
- f) To perform the necessary works to reproduce, disclose and file the minutes.
- g) To keep the Committee's books and documents under his custody and responsibility.
- h) To receive the internal and external correspondence addressed to the Committee and to submit it to the Chairman or the collegiate body, as applicable.
- i) To provide the form for the communications about the Committee's decisions and submit them to the Chairman, who shall approve them and shall authorize the remittance thereof to the respective addressees.
- j) To inform the Committee about legal provisions or relevant facts.

CHAPTER IX **AUDIT COMMITTEE'S ATTRIBUTIONS**

Article 29: The following attributions are incumbent on the Audit Committee:

- a) To inspect, through any of its members, the management acts and verify the compliance with their legal and statutory duties.
- b) To issue an opinion on the annual management report, including in its opinion the complementary information it deems necessary or useful for the General Meeting's resolution.
- c) To issue an opinion on the management bodies' proposals to be submitted to the General Meeting, as related to stock capital alteration, issuance of debentures or subscription warrants, investment plans or capital budgets, distribution of dividends, merger, consolidation or spin-off.
- d) To denounce, through any of its members, to the management bodies and, if the latter to not take the necessary measures for protection of the Company interests, to the General Meeting, the errors, frauds or crimes

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discovered by it, and to suggest the measures which are useful for the Company.

- e) To call the Ordinary General Meeting, if the management bodies are more than one (1) month late to do so, as well as the Extraordinary General Meeting, whenever serious or urgent reasons occur, including the matters deemed necessary in the General Meeting's agenda.
- f) To analyze, at least on a quarterly basis, the interim balance sheet and other financial statements periodically prepared by the Company.
- g) To examine the financial statements for the fiscal year and issue its opinion thereon.
- h) To exercise such attributions during the liquidation, pursuant to the especial provisions which regulate it.

Article 30: For the exercise of the Audit Committee's pertinent attributions, the management bodies are compelled, through written communication, to make available to the Audit Committee's members, within ten (10) days, copies of the minutes of its meetings and, within fifteen (15) days as from the receipt thereof, copies of the interim balance sheets and other financial statements periodically prepared, and the reports on the budgets' execution, if any.

Article 31: At the request of any of its members, the Audit Committee shall request clarifications or information to the management bodies, provided that related to its inspecting function, as well as the preparation of especial financial or accounting statements.

Article 32: The Audit Committee's members shall be present at the Board of Directors where the matters on which they have to issue an opinion are resolved.

Article 33: At the request of any of its members, the Audit Committee may request clarifications or information to the independent auditors, as well as verification of specific facts.

Article 34: If the Company does not count on independent auditors, the Audit Committee may, for a better performance of its functions, to select an accountant or an audit firm and establish their fees, within reasonable levels, as in force in the marketplace and compatible with the Company economic dimension, and they shall be paid by the Company.

Article 35: In order to verify a fact whose clarification is necessary for the performance of its functions, the Audit Committee may submit questions, with justification, to be answered by an expert and, for such purpose, request to the Directory, within the maximum term of thirty (30) days, indication of three experts, who may be individuals or legal entities, having acknowledged knowledge in the area in question, among whom the

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Audit Committee shall select one, whose fees shall be paid by the Company.

Article 36: The Audit Committee's member, or at least one of them, shall be present at the General Meeting and answer the requests for information submitted by shareholders.

Sole Paragraph. The opinions and denunciations by the Audit Committee, or by any of its members, may be submitted and read at the General Meeting, irrespective of publication and even if the matter is not contained in the agenda.

CHAPTER X **DUTIES AND RESPONSIBILITIES**

Article 37: The Audit Committee's members have the same duties of the managers and, in while holding Office, they shall:

- a) Exercise their functions in the Company's exclusive interest, upon satisfaction of the requirements of the public interest and the Company's social role.
- b) To serve the Company and the other controlled companies with loyalty and to keep secrecy on their activities.
- c) To keep secrecy on information which was not disclosed to the market yet, as obtained by virtue of the position.
- d) To watch that its possible subordinates and third parties of its trust keep secrecy on information which was not disclosed to the market.
- e) To reserve and keep availability in its agenda, in order to meet the Committee's calls for meetings, as based on a previously approved and disclosed schedule.

Article 38: The following acts shall be prohibited for the Counselors:

- a) To perform liberality acts at the Company or the other controlled companies' expenses, other than in the Company's institutional interests.
- b) To borrow the Company of its controlled companies' funds and to use the assets belonging thereto in his own benefit.
- c) To receive any modality of advantage on account of the exercise of the position.
- d) To use, in his own or in others' benefit, with or without a loss for the Company, the commercial opportunities that come to his knowledge on account of the exercise of his position.
- e) To acquire, for resale with profit, asset or right which he knows to be necessary for the Company, or which the Company intends to acquire.
- f) To avail himself of privileged information to obtain advantage for himself or for others', through the purchase or sale of securities.
- g) To interfere with operations having a conflicting interest with the Company or with any controlled company, and to cause the reasons for his impediment to be recorded in the minutes .

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- h) To participate, either directly or indirectly, in negotiation of Securities issued by the Company or related thereto:
 - i. before the disclosure to the market of relevant act or fact occurred at the Company.
 - ii. in the period of fifteen (15) days before the disclosure of the Company's quarterly information (ITR) and annual information (DPF and IAN);
 - iii. if there is an intention to promote the total or partial corporate merger, spin-off, consolidation, transformation or reorganization;
 - iv. during the process of acquisition or disposal of shares issued by the Company, exclusively on the dates when they are being negotiated.

Article 39: The Committee's are liable for the losses resulting from omission in the compliance with their duties and for acts performed with guilt or malice, or in violation of the Bylaws.

Article 40: The Committee's member shall not be responsible for unlawful acts of other members, except if collusive therewith or if cooperating for the performance of the act.

Article 41: The responsibility of the Committee' members for omission in the compliance with their duties is joint, but the dissenting member who causes his divergence to be recorded in the minutes of the Committee's meeting and communicates it to the management bodies and the General Meeting, shall be released from such responsibility.

Article 42: The Committee's members shall immediately inform to the General Secretary, any modifications in their equity positions with the Company, in the conditions and form determined by the Securities Commission, in particular as regards to the determination of Normative Instruction No. 358/2002, with the alterations inserted by Normative Instruction No. 369/2002, as well as with the conditions provided for in the Policy on the Disclosure of Relevant Act or Fact and on Negotiation of Company shares.

CHAPTER XI **GENERAL PROVISIONS**

Article 43: This internal chart shall become effective on the date of its approval by the Audit Committee, which may alter it at any time, upon the favorable vote of, at least, three of its members.

Caxias do Sul (RS), May 28, 2010.

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