



Office
of the
Ombuds

ANNUAL REPORT 2007



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The Ombuds Office is an important part of Doing Business Right.

Eaton's Ombuds adhere to the Code of Ethics and Standards of Practice of the International Ombudsman Association.

ETHICAL PRINCIPLES

INDEPENDENCE

The Ombuds is independent in structure, function and appearance to the highest degree possible within the organization.

NEUTRALITY AND IMPARTIALITY

The Ombuds, as a designated neutral, remains unaligned and impartial. The Ombuds does not engage in any situation that could create a conflict of interest.

CONFIDENTIALITY

The Ombuds holds all communications with those seeking assistance in strict confidence, and does not disclose confidential communications unless given permission to do so. The only exception to this privilege of confidentiality is where there appears to be imminent risk of serious harm.

INFORMALITY

The Ombuds, as an informal resource, does not participate in any formal adjudicative or administrative procedure related to concerns brought to his/her attention.

The Standards of Practice of the International Ombudsman Association are available at its website at www.ombudsassociation.org.

OMBUDS OFFICE MISSION

Eaton's Ombuds program provides confidential, neutral and informal assistance in surfacing and resolving workplace issues to:

- Protect human, financial and other assets.
- Preserve company reputation.
- Comply with laws and regulations, including U.S. Sentencing guidelines and Sarbanes-Oxley.
- Promote an ethical, fair and values-driven work environment consistent with ethical business conduct and Eaton's core values.

All matters discussed with an Ombuds are considered confidential and do not constitute notice to Eaton Corporation.

An Important Service

The Office of the Ombuds has grown to play an important role at Eaton in recent years. While we believe that the best way to resolve most workplace issues is through open dialog with one's supervisor, we recognize that an informed and confidential source is sometimes needed.

As a way to address employee concerns outside of the formal reporting structure, the program strengthens our promise to operate as a values-based enterprise that does business right. The Ombuds abide by the standards of practice of the International Ombudsmen Association. They also operate independently within Eaton, to ensure that only your best interests are considered in resolving a problem.

The Office of the Ombuds has had over 6,000 contacts with employees in less than six years. Over that period it has expanded throughout the Americas from north to south, and will eventually expand to serve all Eaton employees worldwide.

When needed, I encourage you to discuss your workplace concerns with the Ombuds. They are here for you – supporting you as an important part of the Eaton team.

Sandy Cutler

CHAIRMAN AND CEO



Dear Colleagues

I am pleased to introduce the 2007 Ombuds Office Annual Report. With this report we are introducing the Ombuds Office's new graphic identifier, which serves to further distinguish the Office as an independent and confidential resource for employees to discuss workplace concerns.

Inside the report you'll find data on 2007 Ombuds Office usage and illustrative examples of calls that highlight how the Ombuds Office provides assistance to employees.

This annual report also introduces Gennette Trípari who has joined the office as the Latin American and Caribbean Field Ombuds. Gennette joined Eaton in 2003 as a Human Resources manager in Puerto Rico and previously held a variety of supervisory and Human Resources positions. We are very pleased to welcome Gennette to the Ombuds team and invite callers to contact her.

The Office of the Ombuds provides a safe, confidential and neutral resource outside of formal reporting channels for Eaton employees. As the director of the Ombuds Office, I had an exciting first year and I am looking forward to 2008 as the Office expands to new locations.

I encourage you to read the Annual Report and become more familiar with the Ombuds Office. You'll find a survey inside the report that you can use to give us your feedback. Please feel free to contact the Ombuds Office at any time.

Ilene Butensky

DIRECTOR, OFFICE OF THE OMBUDS



WHY PEOPLE USE THE OFFICE

Employees choose to use the Ombuds Office because they:

- Do not know where to take their concerns
- Do not know how to take concerns forward
- Want complete confidentiality
- Have not yet decided on a course of action
- May not be certain of the implications of their concerns
- Want to have off-the-record conversations with a neutral party who has extensive knowledge of the Company
- Need information about policies of the Company

While the Ombuds code of confidentiality prevents us from sharing actual cases, we can provide fictional scenarios to illustrate the types of situations we handle. The following scenarios are illustrative and do not represent actual inquiries or calls received by the Ombuds.

“I do not think that I am being paid properly.”

CALLER'S CONCERN

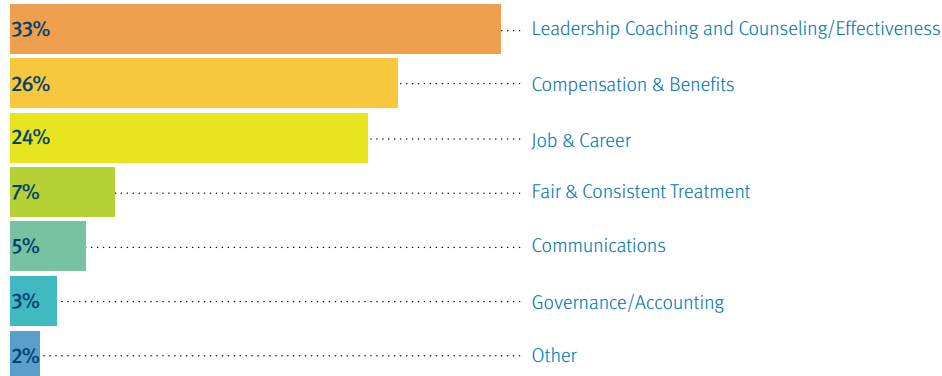
Isabel felt that due to changes in her work assignment in Assembly that she was not properly paid. She had mentioned the situation to her team leader and he promised to ask Human Resources to address it. Four months passed and Isabel did not hear anything more. She asked her supervisor about it again and he told her that he had discussed it with Human Resources three months ago but never heard anything from them. When Isabel went to Human Resources, the Human Resources manager told Isabel that she was not aware of the situation and that nothing could be done until management changes were finalized in the next year. Isabel called the Ombuds Office for guidance.

OMBUDS' RESPONSE

The Ombuds Office discussed various options with Isabel. At Isabel's request, the Ombuds Office called the Human Resources Manager to follow-up on the issue and to discuss the process for reviewing job responsibilities. Following the call, the Human Resources Manager further discussed the issue and clarified the job evaluation process with both Isabel and Isabel's manager. Based upon the outcome of those discussions, the Human Resources Manager began an evaluation of Isabel's job.

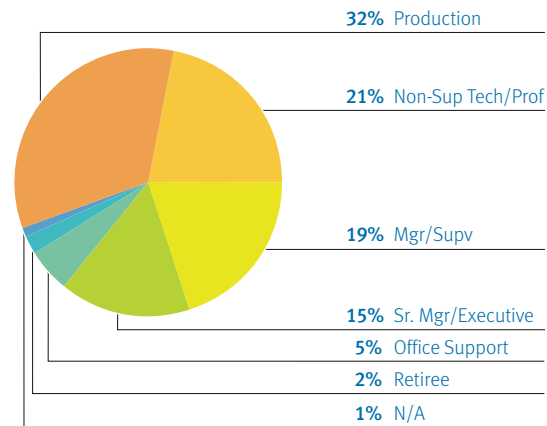
2007 INQUIRY CATEGORIES

Inquiry Categories

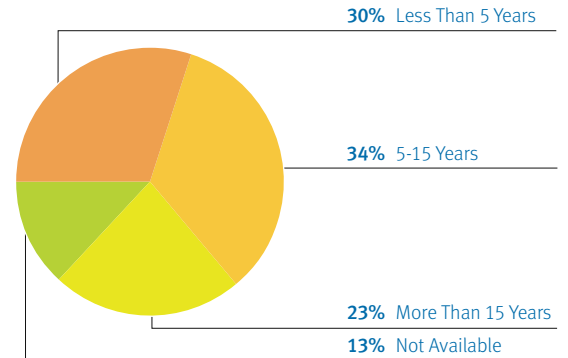


2007 USER DEMOGRAPHICS

Population



Years of service



“My APEX rating was a surprise to me.”

CALLER'S CONCERN

Carl is a production supervisor. In 2006 he received a P4 rating in his APEX review. During his mid-year review in July 2007 he was told that he was meeting all his production goals, but there was no discussion of his performance toward his competencies. In his APEX review for all of 2007 he was given an overall rating of P3. This concerned Carl and he expressed his concerns that his manager had not made him aware that he was not performing to a 4 level in his competencies. Carl decided to call the Ombuds Office for advice.

OMBUDS' RESPONSE

The Ombuds coached Carl on how to discuss his rating with his manager in an APEX review meeting. Carl was advised that he could, if he wished to do so, make a written response regarding his APEX rating. The Ombuds also recommended that Carl should make certain that he understood his manager's position on his performance and could use the meeting to explore development opportunities. Carl also chose to schedule quarterly meetings with his manager in 2008 to discuss his performance toward his goals and competencies.



“There is never a wrong time to contact the Ombuds Office with your questions or concerns. Find the peace of mind you deserve by getting the information you need.”

Crystal Bahr
ASSOCIATE OMBUDS



“Details of calls with Ombuds are not shared with Eaton officials without express permission or unless the Ombuds determines that there is an imminent risk of serious harm. Conversations with Ombuds are not notice of claims to Eaton.”

John Simonetti
FIELD OMBUDS

2007 CASE OUTCOMES

The Ombuds Office focuses on working with an inquirer to identify and evaluate options and methods for issue resolution at the closest level of control in a non-threatening and cooperative way

2007 inquiries

Action Plan Determined



Action Plan



“I don’t know where to take ideas for improvement.”

CALLER’S CONCERN

Maria is an employee at a facility that Eaton recently acquired. She was concerned about quality issues on the production line and felt these problems were affecting customer satisfaction. Her main worry was that quality issues were putting the business operation at high risk for losing key customers. She discussed the quality issues with co-workers and came up with several ideas on how to resolve them. Because their ideas would require management support and added resources, she didn’t know how or with whom to share the ideas. She was afraid that the plant manager might blame her and her co-workers for the quality issues and their jobs would be at risk. She took her dilemma to the Ombuds Office.

OMBUDS’ RESPONSE

After discussing with the Ombuds her various options for approaching management, Maria decided to first request an informal meeting with the team leader to ask for her involvement and support. The team leader volunteered to present the issues and the team’s ideas for solutions to the management group. The plant manager took immediate action. He assigned a cross-functional team, which included Maria, to analyze the issues, test their ideas and implement a solution. Their efforts paid off in significant quality improvements for the product line and greater customer satisfaction. Maria, her team leader and the entire team were recognized for their contributions.



“In addition to servicing calls from individual inquirers, the Office of the Ombuds can provide neutral facilitation for gathering feedback on complex issues.”

Evan Arrowsmith
FIELD OMBUDS



“I am looking forward to serving as the Ombuds for employees in Latin America and the Caribbean.”

Gennette Tripari
FIELD OMBUDS

OMBUDS FREQUENTLY ASKED QUESTIONS

What is the Office of the Ombuds?

The Office exists to help Eaton employees resolve workplace issues. The Ombuds complement but do not replace the roles of the primary and formal issue resolution channels, such as local management, HR, Global Ethics, Audit and EHS.

Are my communications with the Ombuds Office confidential?

All communications with the Ombuds are privileged and made with the understanding that they will be kept confidential. The only exception is if the situation involves the imminent risk of serious harm. The Ombuds are neutral and independent. Matters discussed with the Ombuds are off the record and do not constitute formal notice of a claim to Eaton. Working with the Ombuds Office may be an effective means of addressing your issue, but you may wish to consult with a formal resource if you want to assert a claim against the Company.

What can I expect if I use the Ombuds’ services?

Although each case is different, generally the Ombuds listens to your situation and probes to understand your concern fully. Then you and the Ombuds generate reasonable options for addressing your concerns. Once you have generated a list, you discuss the potential pros and cons of each option and you decide which option you believe is the best.

How can I contact the Ombuds Office?

The Ombuds Office can be contacted through its toll-free telephone lines, which are separate and secure from Adnet or other Eaton phone lines, or in person during a visit by an Ombuds to your work location. Find more information at www.eaton.com/ombuds.

Who can use the Ombuds Office?

The services of the Ombuds Office are available to all Eaton employees and associates. This includes family members, retirees, contract workers and employees of divested/closed operations.

When should I contact the Office of the Ombuds or the Global Ethics Office about a concern or question?

The Office of the Ombuds and the Global Ethics Office are two of the many channels of communication available to you at Eaton for resolving your work-related concerns.

Bringing issues to local management’s attention is clearly the best approach in most cases. The preferred and primary channel for resolving issues is to discuss them with your supervisor or other local management, including your local Human Resources manager. However, we realize that there are situations where such an approach may not be feasible.

Other options available to you include the Office of the Ombuds and the Global Ethics Office. If your issue involves a work-related concern (such as pay, benefits, job & career, performance appraisal, discipline, or fair and consistent treatment) the Ombuds Office is available to you for confidential discussion and coaching. If your issue involves conduct that may violate Eaton’s Code of Ethics, questionable business practices or violations of law, the Global Ethics Office is available to assist you.

Should I only call the Ombuds Office if my issue is important to Eaton?

No. You are free to call the Ombuds Office with any matter of concern to you. The Ombuds Office is a resource available to all employees to obtain guidance, coaching and answers for any workplace concern. If you are not sure where to seek help, you can call the Ombuds Office and we can refer you to the proper resource for help.

2007 OFFICE ACTIVITY

Presented refresher programs at **43** sites throughout the Western Hemisphere.

Introduced the Ombuds program at **6** newly acquired sites.

Received over **1,500** inquiries to the Office.

Confidential Toll-Free Numbers

Secure and separate from Adnet and other Eaton phone lines. To contact us, dial your country specific AT&T Direct access code:

USA, Canada & Puerto Rico	1-866-29-OMBUD 1-866-296-6283
Argentina	0-800-288-5288 + 866-296-6283
Brazil	0800-891-4430
Chile	800-360-312 + 866-296-6283
Costa Rica	0-800-011-4114 + 866-296-6283
El Salvador	800-1785 + 866-296-6283
Guatemala	138-120 + 866-296-6283
Honduras	800-0-123 + 866-296-6283
Mexico	01-800-112-2020 + 866-296-6283
Nicaragua	1-800-0164 + 866-296-6283
Panama	800-2288 + 866-296-6283
Dominican Republic	11-22 + 866-296-6283
Venezuela	0 800 552 6288 + 866-296-6283

Select your preferred language from the menu:

- For English press 1
- For Spanish press 2
- For Portuguese press 3

We may also be reached directly at the following address:

Office of the Ombuds
13100 E. Michigan Avenue
Galesburg, MI 49053

For further information, visit our web page at:
www.eaton.com/ombuds

Ombuds@eaton.com
(Please remember that due to technology limitations, e-mail is not a confidential form of communications.)

For hearing impaired employees, the Ombuds Office is accessible through relay services. Please contact the Office by e-mail or through a toll-free number to make the needed arrangements.



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