



Business Conduct Policy

Compliance Rules and Guidelines

KRAIBURG-Group

May 2011

Preamble

In order to achieve lasting and sustainable success, the KRAIBURG-Group (“KRAIBURG”) conducts their global business in compliance with all applicable laws and regulations. All employees are held to adhere to the rules of the legal system they work in. They must avoid contravention at all times, commit to act upon the highest ethical standards and treat others with respect and integrity.

This **Business Conduct Policy (BCP)** is designed to serve as a binding regulation for every KRAIBURG-employee in the world, helping them to master the legal challenges arising from their daily work. Every employee is expected to carefully read this policy and conscientiously act in accordance with its rules. KRAIBURG does not tolerate violations of law. Employees who violate laws or regulations could face disciplinary action and criminal prosecution.

KRAIBURG’s management board and executives admit their responsibility as role models for their employees. The management board will take measures to educate and support employees in abiding the laws. KRAIBURG-employees who face legally sensitive information will receive periodical BCP-training in order to guide and support them with their daily work. Employees are expected to participate in these trainings.

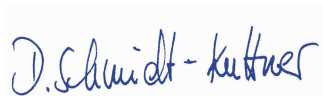
The rules indicated in this policy cannot cover all questions that may arise in daily work life. KRAIBURG has therefore nominated a compliance-officer who advises the employees on all interrelated matters. The compliance-officer can be contacted with legal doubts regarding the employees’ own behaviour and with questionable incidents observed in their working environment. If desired, the compliance-officer will treat all questions and concerns reported to him/her as strictly confidential.

Additionally, the management board has arranged an external helpline at Heuking Kühn Lüer Wojtek – partnership of attorneys under the phone number 0049 40 355 280 74. If desired, the lawyers will treat all questions and concerns as strictly confidential and/or anonymous.

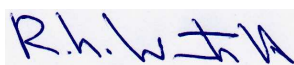
KRAIBURG warrants that employees will not be disadvantaged or impaired for submitting an issue to the compliance-officer or third-party helpline.

Waldkraiburg, 26 May 2011

The Management Board of KRAIBURG Holding GmbH & Co. KG



Daniela Schmidt-Kuttner



Ralph Uwe Westhoff



Fritz Schmidt



Dr. Andreas Starnecker

Business Conduct Policy (BCP)

A) Criminal law

In order to serve their own interest and the interest of KRAIBURG, all employees must respect and comply with criminal law.

Violation will not only result in criminal prosecution of the employee involved but may also lead to excessive administrative fines at the expense of KRAIBURG as well as severe damage to KRAIBURG's reputation among customers, suppliers and the public.

The information below is designed to help you to differentiate legal from illegal behaviour with regard to your daily work.

1. Corruption

Under German criminal law, corruption in the private sector and towards public officials is penalized. KRAIBURG will not tolerate any action that could be perceived as corruption.

a. Private sector bribery

An employee or representative of a private enterprise must not demand, allow himself to be promised or accept a benefit for himself or for a third person in return for the fact that he provides or will in the future provide improper advantage in competition (receiving a bribe). Inversely, whosoever offers, promises or grants such a benefit (bribing) is to incur a penalty.

Be aware: It is allowed to grant or receive benefits that are reasonable and appropriate with respect to the business relationship. The value of benefits for KRAIBURG-employees should not exceed € 50. If benefits in excess of this amount are to be granted or received, approval from the compliance-officer or management board must be obtained in advance. Approval can only be given if the benefit is not related to a specific advantage in competition.

Examples:

- You receive a valuable gift (worth over € 50) from a supplier's employee. In your opinion, it would be impolite to reject the gift.
 - ⇒ Do not accept the gift or contact the compliance-officer or management board for pre-approval! Alternatively, you can refund the money equivalent to KRAIBURG or donate the gift.
- Being Head of Sales Department, you prepare the offer for a major order. The customer's authorizing officer offers to favour KRAIBURG in exchange for significant benefits.
 - ⇒ Do not respond to such an offer! Discuss any further actions with your supervisor or compliance-officer!
- You invite a business partner to a meal.
 - ⇒ You may certainly offer or accept business meals, provided the costs incurred are reasonable. The rule of thumb is to entertain guests according to their private customs. Anyhow, expenses should not exceed € 50. Note: There is no punitive restriction on invitations for company owners and independent contractors.

b. Bribery of public officials

A public official or person entrusted with special public service functions must not demand, allow himself to be promised or accept a benefit for himself or a third person for the discharge of an official duty. Violation results in criminal prosecution for taking bribes unless the competent public authority previously authorises the acceptance within the scope of its powers. Only under very limited circumstances will prosecution be excluded due to the reasonableness of the benefit.

A public official, who indicates his willingness to violate his official duties or to unduly exercise an act within his discretion in consideration of a benefit, is liable for corruption. Corruption cannot be authorized by a supervisor or be tolerated due to the reasonableness of the benefit. Therefore, any benefit towards a public official is to be previewed by the compliance-officer.

Examples:

- A public authority plans to tender a major order. You think about contacting the competent public official and offer him benefits in exchange for favouring KRAIBURG. Alternatively, you ask the official to design the tender in a way that enhances KRAIBURG's chances in the placing process.
 - ⇒ Refrain from either thought. You could face criminal prosecution and expose KRAIBURG to excessive sanctions!
- An external sales consultant offers to support KRAIBURG with the acceptance of tenders abroad in return for payment of a significant commission.
 - ⇒ Be aware that these regulations apply to external consultants as well as abroad!
- A KRAIBURG building project is subject to the approval of municipality. You offer to administer to a local school initiative after the project has been approved.
 - ⇒ Act with caution! Donations may not be directly linked to the exercise of an official act. In any case, the donation is subject to approval by the administrator.

2. Miscellaneous criminal offenses related to business

a. Submission fraud

Bidders must not arrange or coordinate their tenders, if the acceptance is subject to a formal tendering procedure. Coordinating tenders is illegal in public and selective tendering as well as in public and private awarding procedures.

b. Fraud and abuse of trust

Business partners of KRAIBURG must not be misled upon facts that are obviously of note for their commercial and financial decisions. Employees are bound to give customers accurate, clear and sufficiently detailed information. Please contact your compliance-officer with any questions.

Management board and employees are held to represent the commercial interests of KRAIBURG at the best. Accordingly, they must not dispose upon KRAIBURG property or commit KRAIBURG towards third parties if this disposal or commitment is not accompanied by an economic benefit of equal value. Discounts and bonuses for

customers are to lie within the scope predetermined by the management board. Individual cases, in which discounts or other benefits towards customer businesses exceed this margin, have to be predetermined by the supervisor.

c. Tax evasion/custom duties

KRAIBURG files its tax declarations truthfully. All declarable goods are duly cleared by our employees.

d. Rules of conduct in case of search and seizure

Immediately inform the compliance-officer and management board if KRAIBURG's business premises are subject to search and seizure or re-examination through the public prosecutor's office or police authority! The guidelines on search and seizure are available from the compliance-officer and must be observed under any circumstances.

B) Antitrust law

Competition and free market economy are essential elements of a free society. Their protection is in the interest of our company. All directors, officers and employees who are in contact with competitors, customers or other business partners must comply to competition (antitrust) laws at all times.

Violation of competition laws may result in serious sanctions for KRAIBURG. In the past, antitrust authorities have imposed drastic fines upon companies that amounted up to 10% of their annual group turnover. Additionally, customers and suppliers can claim compensation for their damages. Under German law, drastic fines can also be imposed on the employees involved in the violation. In the U.S. and in some European countries misconduct can be penalized with imprisonment.

1. Restrictive agreements among competitors

Restrictive agreements among competitors are usually violating competition (antitrust) laws and therefore prohibited. The term „agreement“ is interpreted extensively. Even informal adjustments of conduct and mere exchanges of information are included. The most important restrictive agreements are:

- Fixing and coordination of prices, mark-ups or other pricing matters (e.g. discounts, allowances, terms of credit) with competitors of KRAIBURG
- Agreements among competitors that determine capacities or procurement quantities
- Partitioning of markets, particularly zoning and delimitation of assortments and product groups
- Non-compete obligations, which restrain a company from supplying customers of a competitor
- Exchange of non-public sensitive industry information, as for example turnovers, prices, strategies, customer data or market shares

Be aware: Provided that an economic cooperation among competitors is suitable for public benefit, it may be exempt from competition (antitrust) regulations under strict conditions. Among others, this includes purchasing cooperations, research-, development- and production cooperations as well as agreements on technical standards.

Examples:

- A competitor's employee sends their gross pricing list and asks you to send KRAIBURG's pricing list in return.
 - ⇒ Do not send KRAIBURG's pricing list! Instead, let him know that you cannot engage in this exchange and send back their pricing list!
 - Be aware: You may accept a competitor's pricing list if it is offered to you by a customer (!). In this case, keep record of the customer who gave you the list.
- During the conversation at a trade fair, a competitor's employee offers to provide you with information on his company's plans and strategies in exchange for information about KRAIBURG.
 - ⇒ Do not engage in this exchange of information under any circumstances! Articulate alert the employee that you are not allowed to have such conversations! Report the incident to the compliance-officer!

- A competitor complains exorbitant costs and purchase prices to you. He states that the ongoing price competition between him and KRAIBURG is ruinous.
 - ⇒ Do not reply to this statement! Limit yourself to clarify that you are not allowed to discuss such topics with him!
- At a round-table meeting during a trade association conference, a member discloses his expectations regarding turnovers and prices.
 - ⇒ Do not attend this conversation! Inform the other participants that this conversation is illegal and leave the room if they carry on with the conversation!

2. Agreements with customers and suppliers

Apart from agreements among competitors, agreements with customers or suppliers may be subject to competition (antitrust) legislation as well. Alongside the danger of the imposition of a fine, distribution and purchasing agreements that violate competition (antitrust) regulations are at risk of being invalid and thus unenforceable. The following agreements may be affected:

- Agreements that obligate the customer to resell at minimum or fixed prices
- Requirement contracts that bind the customer to buy 100 percent of a certain product from a single supplier
- Exclusive distribution agreements
- Agreements that restrain customers or suppliers from buying certain products or supplying specified goods to ascertained companies

3. Abuse of a market dominant position

On certain markets, dominant or strong companies must not abuse their position to weaken competition at the expense of competitors, customers or suppliers (as long as there is no objective justification). A market dominant position is usually supposed at 33%-40% market share.

Be aware: Correct market delineation may be difficult in individual cases.

Misuse of a dominant market position regards inter alia the following cases:

- Discrimination between similarly situated customers or suppliers
- Refusal to supply (e.g. delisting of customers)
- Demanding excessive prices
- Predatory pricing (i.e. pricing goods below costs)
- Agreements on aggregated rebates that reward the customer for pooling their purchases at a market dominating company

4. Rules of conduct in case of search and seizure

Immediately inform the compliance-officer and management board if KRAIBURG's business premises are subject to search and seizure or re-examination through the antitrust authorities! The guidelines on search and seizure are available from the compliance-officer and must be observed under any circumstances.

C) Miscellaneous

KRAIBURG and its employees are committed to comply with all other applicable laws and ethical standards. The information below is meant to serve as brief overview of important duties. Further questions are to be addressed to the compliance-officer.

1. Compliance with environmental, health and safety regulations

KRAIBURG's directors and employees are obligated to ensure a safe and healthy workplace at all times. They must always comply with occupational safety regulations. Any deficiencies are to be reported to the supervisor in charge and remedied.

KRAIBURG is committed to ecologically sustainable business practice. Thus, all employees are bound to protect ground, water, air, biological diversity and cultural assets. Environmental damages must be avoided by using appropriate environmental protection measures consistent with the applicable laws. Damage caused to the environment is to be reported to the supervisor in charge and remedied.

Examples:

- A customer reports problems related to the functioning of a product. You are sure that he is handling the product incorrectly but the possibility of a manufacturing error cannot be ruled out. Report the issue to your supervisor! It has to be clarified whether a manufacturing error occurred or whether the customer was miscounseled.
- You notice that hazardous substances leak from a defective container. Report the occurrence to your supervisor! The supervisor will attend to the correct remedy of the hazard source and any defects.

2. Equal opportunity, anti-discrimination and respectful conduct

All KRAIBURG-employees treat all people, especially those with different origin and experience, with respect and integrity. Discrimination on the basis of race, gender, religion or ideology, disability, age or sexual orientation will not be tolerated. KRAIBURG admits to an open-minded, upright and tolerant business culture.

Example:

- You find out that a job candidate was declined or a colleague was denied promotion due to their gender, religion, ideology, disability, age or sexual orientation. Report this incident to the human resources department and compliance-officer!

KRAIBURG is wholeheartedly committed to the protection of Human Rights. We will not knowingly do business with any company that abuses these rights, e.g. by exploiting employees, adolescents or children.

Example:

- Being in charge of purchasing certain goods from foreign countries, you receive a tip that one of the suppliers is using child labor or employing personnel under degrading conditions. Inform your supervisor. KRAIBURG might have to terminate this business relationship immediately.

3. Confidentiality and data privacy

As a company, KRAIBURG owns valuable patents and know-how. All employees are bound to strict confidentiality with regard to KRAIBURG's intellectual assets and information that customers or contracting partners might regard sensitive. They must not be disclosed to third parties.

Personal information of employees and customers are to be protected by complying to privacy policies at all times. This obligation continues after the end of employment.

D) Helpline

1. In-house helpline (compliance-officer)

Mrs. Daniela Schmidt-Kuttner

Phone: 0049 8638 61 222

Email: compliance@kraiburg.de

If desired, your questions and concerns will be kept strictly confidential.

2. External helpline

Heuking Kühn Lüer Wojtek – partnership of attorneys

Dr. Frederik Wiemer

Phone: 0049 40 355 280 74

Email: f.wiemer@heuking.de

If desired, your questions and concerns will be kept strictly confidential and anonymous.