



Freudenberg Chemical Specialities KG

Code of Conduct

Because it matters

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Introduction

The Freudenberg Chemical Specialities Group (FCS), and the business units it comprises, is a global organisation, working in a large number of markets. The varying demands and challenges that the expanding FCS Group faces in its markets, together with diverse and constantly changing conditions and regulations, have made it ever more important to clarify the standards and behaviour all employees have to follow in their work. In this context, FCS holds it to be of the highest importance that company executives provide a role model for employees.

FCS employees must act with the highest integrity and ethics. Key to maintaining and keeping the trust of the public as well as of our customers, business partners and shareholders is the integrity and law-abiding behaviour of the group's employees. FCS believes commercial achievements should not be the only measure of success, but rather that success should be balanced with the enhancement of our company values.

The Guiding Principles of the Freudenberg Group express our commitment to comply with laws and regulations, foster fairness, respect cultural differences, take on social responsibility and protect the environment and the well-being of our people. These principles express what is already deeply entrenched in the Freudenberg Group. They create the general conditions for a climate of trust and confidence, enhancing teamwork, innovation, customer focus and the prosperity of our company. This Code of Conduct is built upon the foundation of the Guiding Principles. FCS recognises its social responsibilities and is mindful of them when conducting business.

The Code of Conduct sets out what is expected in terms of business conduct and behaviour from each employee, regardless of position. It is not the intention of this Code to interfere with employee's private lives but to clarify the expected personal behaviour standards for employees in the business context. Lawful and responsible conduct must be the default position for all company employees. The Code of Conduct aims to enable all employees to

deal with ethical and legal issues appropriately and, where helpful, outlines specific examples to help employees in areas which are sensitive by nature. The Code of Conduct serves the purpose of providing an umbrella guideline for the expected standards within the FCS Group. The Code is further complimented by additional locally applicable company policies. It is the responsibility of each employee to know which policies apply to him or her. Should company policy appear to conflict with local law, or if you are unsure of your responsibilities regarding a particular section of the Code of Conduct, you should consult your manager to clarify your position.

Compliance

It is the obligation of management to make all employees aware of the Code of Conduct and its contents. Management must also monitor and ensure compliance.

As an individual, you are personally responsible for your own compliance with the Code of Conduct. Each employee must measure and evaluate his or her own conduct in light of the standards outlined in this Code. Failure to comply with the Code of Conduct, or with legal responsibilities, is unacceptable. Breaches of the Code may result in disciplinary action, up to and including termination of employment.

Should any employee have questions related to the Code of Conduct, need advice, or strongly suspect a Code violation, then the following procedure must be adopted. In the first instance, the employee should speak to his or her immediate supervisor or manager. If suspicions involve the supervisor or manager, or if for whatever reason the employee wishes to take the issue to someone else, then the employee should report the matter to another manager, or to Human Resources (HR). In addition employees are always welcome to talk to a Management Board Member of their business unit.

In the event of a third party (such as a competitor, a supplier, or a customer) appearing to violate the Code of Conduct, you should immediately break off communication and follow the procedure outlined above.

The basis of trust is honesty. In order to foster an environment of trust, FCS operates according to non-retaliation principles for employees and will not retaliate against employees who act to protect it. If you sense that you or others are being victimised because you followed the Code of Conduct, or because you or others reported any violation of the Code of Conduct, you should contact HR. As stated above, you are always welcome to talk to a member of your senior management.

Please remember that the Code of Conduct should not be abused or used as a vehicle to settle purely personal issues. The Code's intention is to foster fairness, respect, and a lawful and ethical approach to the way we deal with each other and our stakeholders.

1. Health, Safety & Environment (HSE)

FCS is fully committed to providing safe working conditions and conforming to regulations for occupational health and safety and environmental protection. The Freudenberg Group's "We All Take Care" and "Zero Accidents" initiatives are a central part of our commitment to providing and ensuring safe working conditions for all employees. All employees share responsibility for their own health and safety, that of their colleagues and of their business partners. It is therefore essential for each individual to comply with and observe all safety regulations in the workplace, thereby promoting safe working practices and minimising health risks for all.

Avoiding and reducing adverse effects on the environment is a high priority for FCS. Consequently our operations comply with the laws, regulations and directives which serve to protect the environment.

EXAMPLE

Question: What should I do if I identify an HSE concern relevant either to myself or other employees?

Answer: It is always better to be on the side of safety. Report your concerns immediately to your manager or supervisor. If, for any reason, you are unable to do so, please speak to your SEO (Site Executive Officer). FCS will not tolerate any retaliation against anyone who stops work in good faith for HSE concerns. The health and safety of employees and our commitment to environmental protection is our priority.

2. Working Together

The FCS Group encourages open communication and team work. Each employee must treat colleagues with respect. To facilitate the development of employees, training in fields relevant to the company will be offered.

Equal opportunity and anti-discrimination

Each and every employee of the FCS Group and FCS business associates must be treated with fairness and respect. FCS commits to being an equal opportunities employer, in relation to promotion as well as hiring. The company will make decisions on hiring or promotion with regard only to the relevant qualifications and experience of the applicant. All laws that outlaw discrimination and harassment in the workplace for reasons of ethnicity, religion, gender, nationality, sexual orientation, age, physical or mental health, or marital status will be complied with.

Violence and harassment in the workplace

Violence in the workplace will not be tolerated. Violence includes direct or indirect threats, threatening behaviour, intimidation, physical attack and other similar misconduct.

Demand of sexual favours, sexual advances, sexual innuendo or insinuation or any other form of sexual harassment in the workplace will not be tolerated.

EXAMPLES

Question: We have someone on our team who is partially disabled. Some people make fun of her behind her back. I find the behaviour of the people making the remarks offensive and embarrassing and bad for teamwork. What should I do?

Answer: This behaviour is clearly creating an unhealthy atmosphere and is unacceptable at FCS. You can talk to the people involved as peer pressure can successfully solve these issues. If you do not feel comfortable with this approach or it does not resolve the issue, you can raise your concerns with HR who are trained to deal with such situations.

Question: I'm the hiring manager for a position that involves work in a variety of countries. The very best candidate, the one with the best qualifications and experience, is a woman. However, I know that a few businessmen in some of these countries do not like dealing with women. It might affect our ability to win business in these countries. What should I do?

Answer: It is against the policy of FCS, and illegal, to exclude the best candidate from consideration because someone might not like dealing with women. It is important that we follow the right path, regardless of location.

3. Company Property and Proprietary Information

All assets of FCS must be protected. Such assets include but are not limited to physical assets, proprietary information, patents, trade marks, copyright or logos. The misappropriation or abuse of any FCS assets is prohibited in all circumstances and will result in consequences.

Intangible assets, as for example unpublished business related information, or business secrets, must be treated as confidential. Those employees who hold such information must not make it available or accessible to unauthorised persons either from inside or outside the company.

Whilst it is appropriate to gather information about other companies, the use of illegal, un-ethical or otherwise questionable methods to obtain information about other companies is not permitted. FCS frequently enters into relationships with other companies in which those companies release their confidential or proprietary information to us. You should avoid accepting such information until a valid confidentiality agreement is in place. Should an employee of FCS come into contact with information about other companies that appears to be proprietary or confidential in nature, he or she must consult with management to see what restrictions, if any, apply to the use of the information.

EXAMPLES

Question: A former FCS employee who worked in my team, recently contacted me to ask that I provide copies of materials we worked on together during his employment. During this conversation, I learned that he has copies of various documents we used in a project. I told this employee that I would get back to him. What should I do now?

Answer: Under no circumstances provide copies of the requested materials as they are FCS confidential information. The former employee may also have breached his obligations under the Code by taking FCS confidential information. There will be other issues for FCS to address if this former employee has revealed this information to third parties. The obligation to maintain the security of confidential FCS information applies not only during your employment but also following your employment. Contact your manager immediately, and your manager in turn should alert your business unit's senior management to determine what action the company should consider to protect FCS's confidential information and property.

Question: I have just joined FCS as a new employee. My previous employer is a competitor of FCS. Can I share some marketing information that I developed whilst working for this competitor?

Answer: No. This would violate the Code and your obligations to your former employer and it may break the law as well. You are obliged to protect your previous employer's confidential information just as FCS employees are obliged to protect our company's confidential information. The general knowledge and skills you learned at a prior employer may be used in your new job at FCS, but you must not bring to FCS any confidential, proprietary or otherwise protected materials that you, or others, produced for your previous employer. If you have any questions about the status of any specific information you may have, check with HR before using or disclosing it.

4. Software, Email and the Internet

Information Technology (IT) systems, including hardware, software and the information they process and store are critical to FCS operations. They are company property, and as such, must be used for FCS business purposes. Those with access to FCS IT systems, including those with temporary access, must use the system appropriately and at the same time adhere to FCS IT security policies. Failure to do so will serve to undermine the security and integrity of FCS IT resources. Further detailed information is contained in the company IT security policy.

5. Managing Documents and Data Protection

Financial statements and books, records, and accounts of any legal entity of the FCS Group form part of company records, and are therefore company property. They must be accurate and must also comply with all legal and tax requirements, as well as with internal Freudenberg accounting principles. All company records are important corporate assets. The responsibilities for the creation, use, maintenance, secure storage, and where appropriate, the safe disposal of records lies with all employees. Such actions should only be carried out in accordance with company policy, standards, and procedures, and current legal requirement.

As an employer, FCS may hold information such as employment, medical, financial, and educational records on its employees or other individuals. These and other such data are deemed to be personal. FCS and its employees should respect and protect this information, just as diligently as company information. Laws dealing with protecting personal data vary from country to country. The FCS Group upholds such laws as are in force.

EXAMPLE

Question: I was working late last night at the office. When I went to use the photocopier I found in the print tray some personnel records containing a lot of personal information. It doesn't seem right that this kind of information is left for all to see. What should I do?

Answer: If you know who the documents belong to, you should return the papers immediately to the relevant person by confidential means. If you don't know who is responsible for the documents, return them to the department manager. You should also report your discovery and your actions to your local HR manager. Protecting confidentiality and privacy is the personal responsibility of each and every FCS employee.

6. Conflicts of Interest

Anything that may constitute or lead to a conflict of interest between employees and the company must be avoided. The following situations, for example, may result in a conflict of interest:

- Business opportunities that belong to FCS being misused for personal gain or advantage.
- Relations with current or potential trading partners, or competitors, which may influence or appear to influence the carrying out of your responsibilities.
- Marketing products or services similar to or competing with those of FCS.
- Abusing of position or company property for personal benefit.
- Entering into arrangements on the company's behalf with relatives or close friends.
- Using your time while employed by FCS to conduct or prepare business which may later compete with FCS.
- Engaging in outside activities or business which demonstrably undermines your time and attention while at work.

If you have any doubt in the area, bring the situation immediately to the attention of your manager.

EXAMPLES

Question: My spouse is a manager in a company that has business dealings with FCS. In my job at FCS, I also have contact with that company from time to time. Is this a problem?

Answer: These circumstances must be brought to the attention of your manager. It is important that all actual or potential conflicts are disclosed so that any issues can be anticipated and avoided.

Question: Does the Code apply to people with whom I have a close personal relationship but who are not my relatives?

Answer: The Code offers examples of areas where conflicts may arise, but it cannot describe every situation that could create a conflict. In these areas always keep in mind the intention of the Code – avoid an activity or relationship that interferes with your loyalty and objectivity toward FCS. Tell your manager so that the situation can be openly addressed.

7. Political Activities

FCS does not get involved in political activities or campaigning. In accordance with this principle we do not give financial support or make donations to political parties or organisations, or their representatives.

This desire on behalf of FCS to remain politically impartial, does not infringe the rights or employees who may wish to take part in the political process in the appropriate manner as private citizens outside company time. Such private participations must not be done in the name of FCS.

8. Drugs & Alcohol

The use, sale or possession of illegal drugs on company premises or during company times will be the subject of disciplinary action, and, unless sanctioned by the company, the sale or use of alcohol is similarly prohibited. Reporting to work or working whilst being under the influence of alcohol or non-prescribed drugs will not be tolerated. For all business activities taking place off site, the law must be strictly followed.

9. Public Statements

Only those authorised to do so may make public statements or publish information concerning FCS. Inquiries by the media or by other persons from outside the company must always be referred to the management or to those authorised to respond.

EXAMPLES

Question: My FCS Company is a major employer in my area. A reporter from my local newspaper has asked me to give an interview about working at my company. Is this OK?

Answer: Before talking to the reporter, you should contact your local communications manager to advise you on how to proceed.

Question: I have just received an invitation to attend a hearing of a local authority committee as an expert industry witness. Should I attend?

Answer: You must seek advice from your manager and from the local communications manager as to whether you (or another) should attend; they will give you any necessary guidance for the hearing itself.

10. Antitrust and Competition

FCS fully complies with all antitrust and other trade laws which generally prevent the unreasonable restraint and functioning of a free and competitive marketplace. FCS also adheres to all legislation that outlaws unfair or deceptive trade practices. Our zero tolerance of behaviour prohibited by antitrust and trade laws means that any anti-competition agreements are not allowed. FCS does not enter into any coordinated or informal arrangements to boycott customers or other business partners. We have a policy of zero-tolerance towards price-fixing, whether it is informal or strategically coordinated.

Please clarify any doubts about appropriate contact and communication with competitors immediately by discussing your concerns with your local senior management. Should a situation or conversation arise in which you have any doubt of its appropriateness in this context, you should remove yourself from the situation immediately and report the matter to your local manager.

EXAMPLES

Question: At a trade association meeting, I was present at a conversation between competing manufacturers. One representative said: "Our margins aren't as good as they used to be." Another said: "I wish we could do something about all these discounts." I did not comment but simply listened. Should I have acted differently?

Answer: A court might conclude that everyone present during the conversation, whether they said anything or not, had engaged in price fixing even though there was never any formal agreement. If you find yourself present during such a discussion, break away from the discussion immediately, make it clear to those present that you consider it improper, and advise your local manager straight away.

Question: A representative at a competitor company called me and invited me to a meeting in another country about 'rationalizing' the market for products we both supply. Since the meeting is outside both the EU and the US, is it OK for me to go?

Answer: No. You must immediately contact your local manager. Attending such a meeting could be a serious criminal offence. Don't be fooled by words like 'rationalizing' or having the meeting in another country. This won't change the view of a court. This meeting can still break the laws of the EU, the US and other affected countries even when held outside of the EU or US.

11. Anti-Corruption Policy

Whereas the exchange of meals and inexpensive entertainment is usual in the course of business, the exchange of excessive or inappropriate gifts and entertainment is unethical and may injure your personal business reputation and that of the FCS Group. FCS operates the following guidelines to allow employees to exchange gifts or entertainment with customers and suppliers, both actual and potential:

- A gift must be of insignificant value and cannot consist of money or a loan.
- The gift, meal or entertainment was not solicited.
- The gift, meal or entertainment is part of a legitimate business relationship or celebration.
- The gift, meal or entertainment does not influence, or could not be construed as influencing, either party in the fulfilment of their responsibilities.
- The exchange of the gift, meal or entertainment does not break any law or violate any generally accepted ethical standard.
- The exchange of the gift, meal or entertainment should be no cause of concern or embarrassment to the company.
- If a government employee or representative is involved, written approval of a local Management Board Member must be sought before offering the gift, meal or entertainment.

If in any doubt, consult your supervisor. The restrictions outlined above apply equally to gifts, meals or entertainment offered to your family and friends by customers, suppliers or competitors. FCS policy applies, irrespective of what may be considered ethical or appropriate behaviour by other companies. You may feel, however, that you require an exception to be made for cultural reasons in another country. Should this be the case, please make a written request to your manager.

There are other types of gifts and entertainment that are never permitted. These include:

- Any illegal gift or entertainment. This may include anything offered to government officials or any offer in breach of bribery laws.

- Any gift of cash or cash equivalent (for example loans, gift certificates).
- Any entertainment which does not comply with FCS Group's commitment to respect, including but not limited to indecent or sexually oriented entertainment.

We also require that, apart from our own employees, no middleman, consultant, dealer or distributor pays bribes on behalf of the organization or for the direct benefit of the organization's business.

EXAMPLES

Question: One of our suppliers offered me two tickets to a good football game. As he can't accompany me, he suggested I take a friend. Can I accept the tickets without approval?

Answer: Under FCS's policies you are generally not required to get special approval for ordinary business entertainment of nominal value. However, in this case, because the supplier is not going with you, the tickets are really a gift of substantial value and do not count as business entertainment. They should therefore be politely declined.

Question: One of our sales agents told me he can help us obtain a contract with a customer. From what he told me, I think he may be planning to offer expensive travel and entertainment to one of the customer's directors. This may break the customer's own rules. If it is the agent that is doing this and we would benefit by getting the contract, is it my responsibility to do anything about this?

Answer: Yes. You need to tell others at FCS about your suspicions. We do not want to win the business under dubious circumstances and we need to evaluate our relationship with the agent to make sure that this behaviour does not indicate a bigger problem in the way the agent operates. Contact your local commercial manager for advice.

12. International Trade Laws

The periodic imposition of trade restrictions and embargos between countries or individuals is a common factor of international trade. Breaking such laws or agreements can result in serious penalties, including fines, the loss of export permits, and even imprisonment. The list of countries and restrictions in force are subject to sudden change. Those whose work deals with the international sale or shipment of products or services, must keep abreast of the rules that are in force. Make sure you are up to date with the rules that apply and check with your regulatory affairs department if you are ever unsure.

EXAMPLES

Question: We have received an order for a distributor in a country where we are allowed to ship, but we have heard that the distributor may have close ties to a country where we may not ship. Payment will be made in the currency of yet another country. Can we just assume that the product will be used in the country where we are shipping, or is this a problem?

Answer: The information you have indicates that the product might be shipped to a prohibited country. Clearly, there are enough warning signs here that you need to get advice from your local Management Board before acting.

Question: A customer has asked to pay from multiple accounts and use a combination of multiple payment types (cash, cheques, etc.). What should I do?

Answer: This is suspicious behaviour, suggesting money laundering may be taking place. You should immediately consult with your local Management Board; and you should only take further steps in the transaction, including accepting payment from the customer, after the local Management Board has advised you how to proceed.

Self help – Some practical steps you can take, if you're concerned that your actions may violate the Code of Conduct

1. Recognise the issue. Ask yourself if you are in a situation that may be wrong. Are you trying to make a decision that may result in an illegal or unethical course of action?

2. Think before you act. Clarify and summarise the issue. Ask yourself why this is a difficult issue. Consider the options and consequences. Consider who will be affected. Assess the risks involved.

3. Test your decision. Review the "Useful questions to ask yourself" section below. Consult with others, get qualified professional advice from company approved sources and partners.

4. If in any doubt – Stop, get advice as outlined in the Code of Conduct.

Useful questions to ask yourself when in doubt

- Is it legal?
- Is it professional behaviour?
- Is it against company policy?
- Does it feel right?
- Will it reflect negatively on you or the company?
- Would you be embarrassed if others knew you took this course of action?
- Is there an alternative action that does not pose any conflict?
- How would it look in the newspapers or on the internet?



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