

# NORTH AMERICAN FILTER CORPORATION

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200 Westshore Blvd. • Newark, New York 14513  
Telephone: 315-331-7000 [www.nafcoinc.com](http://www.nafcoinc.com)

## North American Filter Ethics Policy

We recognize that our Company is an organization with obligations to a number of different constituencies. NAFCO's stakeholders include employees, customers, shareholders, suppliers, and the community in which we operate. We make the following commitments to each of our stakeholders:

To our employees: We are committed to providing equal employment opportunity in a safe working environment with fair pay and benefits and an opportunity for self-improvement and advancement. We are committed to creating an atmosphere that encourages employees to treat one another fairly and with dignity and respect. We are committed to maintaining the highest standards in all aspects of our relationships with our employees.

To our customers: We will provide quality products at fair prices, backed by sincere service support.

To our shareholders: We will work to produce a fair return on shareholder investment and continued enhancement of shareholder value.

To our suppliers: We are committed to maintaining open and fair business dealings, and to selecting sources of supply on the basis of quality, price, services offered, and ethical policies that match our own high standards.

To our community: We recognize our responsibility to maintain a clean and healthy physical environment. We strive to establish appropriate relationships with our neighboring communities, schools, local governments, and the families of employees.

Our expectation is that every NAFCO employee and representative will consistently engage in ethical business conduct even if in a given situation it means losing an apparent business opportunity or a reduction in profits.

In summary, we recognize our responsibility to act as good corporate citizens.  
Worldwide Application

NAFCO is committed to complying with the law and regulations of the countries in which we conduct business.

We also address in this statement some specific issues that apply to U.S. Government Programs. In particular, the Company will ensure its compliance with applicable U.S. Government regulations against fraud, waste and abuse, including provisions for an employee awareness program and internal control system. Such compliance is aimed at facilitating timely discovery and disclosure of improper conduct and ensuring that corrective measures are instituted promptly.

The proper operation of our business requires that our officers, directors, employees, and representatives are always in a position to act with total objectivity on behalf of the Company. All of our



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employees should avoid investments or activities that could affect that objectivity. Most conflicts of interest are readily identifiable. It is almost always a conflict of interest for a NAFCO employee to take on work from a competitor, customer, or supplier. The best policy is to avoid any direct or indirect business connection with our customers, suppliers, or competitors, except on NAFCO's behalf.

We also recognize the potential for apparent conflicts of interest that may be difficult to evaluate and resolve. Under such circumstances, the matter should be brought to the attention of management so that we can resolve any questionable issues quickly and openly.

## Responsible Use of Company Assets

The Company expects all employees to ensure the proper use of Company and customer property, electronic communication systems, information resources, materials, facilities, and equipment. Employees must use and maintain these assets with the utmost care and guard against waste and abuse. Employees should not remove assets from Company property without management permission.

### Insider Trading

## Protection of Company Private Information

Many employees have access to Company private information and are trusted to safeguard that information, limiting its disclosure and use, except as may be specifically authorized by NAFCO. Typically, disclosure should be limited to those individuals that have a business need to know the information. Company private information includes pricing rates, marketing plans, proposal data, acquisition plans, or information related to how NAFCO conducts business or produces hardware. This protection of Company private information extends to employee use of business and social networking web sites. Sensitivity in the use of networking sites and tools is particularly warranted, in view of the potential speed and breadth of information sharing and redistribution that can occur.

NAFCO drawings and data marked Proprietary, Restricted, Confidential, or Trade Secret fall into this category. Handling, marking, and disclosure of such data, or similar data provided to NAFCO by customers, vendors, or teammates requires strict adherence to NAFCO Policy and Procedures.

NAFCO requires new employees to sign a Confidentiality Agreement that defines these duties in a simple, straightforward manner. In addition, all employees have executed Patent Agreements as part of the hiring process. Employees who develop inventions that may be worthy of patenting must disclose them to the Company for a determination of whether they should be patented for the Company's benefit.

## Procurement Integrity

NAFCO employees will not accept or provide "kickbacks" including any money, fees, commissions, credit, gift, gratuity, or compensation of any kind, for the purpose of improperly obtaining or rewarding favorable treatment in either the selling or procurement activities of the Company. Examples of favorable treatment include the improper advance notice of a request for bids or the submission of bids after a closing date.



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Procurement integrity applies to employees and affiliates who participate personally in the procurement process. We are required to ensure that all those who participate on NAFCO's behalf are not compromised by giving or receiving anything of value or by previous employment or affiliation. NAFCO's stance in this regard is consistent with U.S. Federal Acquisition Regulations.

NAFCO employees should not accept or extend either entertainment or gifts that could materially impair the receiving party's objectivity in conducting Company business. Public disclosure of any transaction should never be compromising to the Company, the employee involved, or the recipient of any gift or offer. Furthermore, no business courtesies may be extended to employees of the U.S. Departments of Defense or Energy, NASA, or to any other U.S. Government employee who is subject to Standard of Conduct regulations that would be violated.

## Unlawful Payments, Gifts, and Entertainment Affecting NAFCO's Operations

All NAFCO employees must be aware of and comply with U.S. laws and the laws of other countries that prohibit payments, gifts, and entertainment that could be considered a bribe to obtain favorable business treatment or the award of contracts and subcontracts. Violation of these laws can result in millions of dollars in fines to companies and individuals and imprisonment for individuals for up to 5 to 10 years.

### 1) The U.S. Foreign Corrupt Practices Act ("FCPA")

All NAFCO employees are subject to the FCPA. This is because NAFCO is a U.S. company.

The FCPA makes it unlawful to:

- a) offer or make any payment or give anything of value to a Foreign Government Official to obtain favorable business treatment in a foreign country or obtain contracts from that country. A "thing of value" can include expensive gifts or expensive entertainment.
- b) fail to have accurate books and records of corporate assets, which would identify the potential corrupt use of Company assets for this purpose.

NAFCO, including all of our employees and representatives, must comply with the FCPA.

### 2) The U.K. Bribery Act ("UKBA")

The UKBA applies to any company incorporated in England, Scotland, Wales and Northern Ireland and its employees and representatives. The UKBA applies to all NAFCO employees and representatives whenever we are working with customers or vendors located in these U.K. countries. The UKBA also applies whenever any NAFCO employee is working with customers or vendors that are incorporated in these U.K. countries, regardless of where in the world we are conducting business. All persons defined as citizens, subjects or protected persons of these countries are subject to the UKBA wherever they do business in the world.



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The UKBA makes it unlawful to:

a) offer or make any payment or other advantage, ask for or receive any payment or other advantage, to or from any Government Official or any other person for the purposes of inducing a person to perform improperly one of their functions in their position of trust and responsibility, or as a reward for improper performance. "Other advantage" can include expensive gifts or expensive entertainment. If the UKBA applies to a company or to an individual, they must comply with the UKBA regardless of where they do business in the world.

b) fail to have adequate measures in place for the Company to prevent or detect bribery being undertaken on its behalf by employees or outside representatives or failing to enforce those measures.

NAFCO and all of our employees must comply with the UKBA whenever it applies to the business we are conducting.

### 3) Similar Laws in Other Countries

Many other countries, including Germany, Italy, Japan and China, have similar laws to the FCPA and UKBA. NAFCO employees who regularly do business in other countries should discuss these laws with NAFCO Management.

### Anti-Trust Regulation

NAFCO expects all officers, employees, and representatives to comply with all applicable U.S. and foreign anti-trust laws. Violations can result in heavy penalties to the individuals involved, as well as to the Company. Generally, agreements or understandings that limit or restrict competition may be unlawful. These could be agreements affecting prices, terms or conditions of sale, production, distribution, territories, or customers. Therefore, contracts, agreements, or understandings with suppliers and customers involving exclusive dealing, or other restrictive agreements should only be consummated after the approval of a Company officer.

### Endorsements: Commercial and Political

If an employee engages in any promotional activity that might be interpreted as endorsing a commercial organization, private venture, product, or political group, it must be done on the employee's own time as a private citizen, not as a representative of NAFCO.

The employee should avoid even the appearance of participating as a representative of NAFCO. Employees who author articles or publications and plan to be identified as a NAFCO employee must first get approval from the Chief Financial Officer.

### Behavioral Integrity

NAFCO has adopted a number of other policies that establish our vision of the right thing to do. These policies establish ideals to which individual employees and associates of the Company are expected to conform. They also reinforce our environment of mutual trust, confidence, and integrity. Some of these ideals are posted at the bulletin board locations and in our Employee Handbook.



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They include:

- Promoting equal opportunity
- Respecting diversity
- Protecting confidentiality of company records containing personal information
- Maintaining a drug-free workplace
- Maintaining a workplace free of sexual harassment or other forms of intimidation

## Implementation of Our Policy

Our commitment to ethical business conduct requires the cooperation of every employee and representative of the Company. We must hold ourselves to the highest standards with the realization that the Company's best interests are our own best interests. We must avoid any violation of these standards or any appearance of a violation.

Our business is governed by complex and frequently changing laws, rules, and regulations. The proper application of these laws, rules, and regulations can create, in certain circumstances, uncertainty and confusion.

NAFCO has a strong commitment to an open-door policy. This means that employees are encouraged to take advantage of the availability of any manager, supervisor, or Human Resources Representative for consultation on ethical issues as they arise. All managers will maintain open communication with employees regarding questions of ethics.

