



# Global Code of Conduct



**Advanced Filtration Systems Inc.**

**2015**



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## Message from the General Manager

A strong code of both organizational and personal ethics is the key to success at AFSI and must be followed at all times in order to foster this desired work environment. In order to maintain organizational and personal ethics, we have established a Code of Conduct to provide specific direction on Company expectations. The global growth of the Company has created the need for us to establish one corporate culture with the highest possible standards. AFSI's reputation in the marketplace is based on quality, and the key to preserve and enhance the Company's reputation, is that all employees must act with the principles of honesty, integrity, and accountability. In addition, we felt that it was important to provide a completely anonymous method of reporting any suspected or actual conduct violations. Our employees must feel that they can express any concerns that they have without any fear of repercussion.

In the event that you become aware of activities within the Company that violate or that you suspect violate our Code of Conduct, it is your obligation to report the information to the hotline. You owe it to yourself and your co-workers to make AFSI the best possible place to work and this can only happen if everyone does their part. Yearly training will be provided on our Code of Conduct to update employees on any new developments and emphasize the importance of the Code to the continued success of the Company.

AFSI's success is due to the high quality of employees that the Company has had over the years. This is something that we cannot take for granted and we as a Company should do everything within our power to maintain.

Sincerely,

Tiffany Armas  
General Manager



## **AFSI's Shared Values**

AFSI's culture is based on fundamental values shared by management and employees. The long-term success of our Company depends on quality employees who strive to achieve the Company's objectives. One of our primary objectives is to develop and maintain a work environment where employees can reach their full potential while providing superior quality products and services for AFSI. A strong code of both organizational and personal ethics must be followed in order to foster this desired work environment.

### **Safety**

**"We believe that all incidents are preventable and risks can be reduced through sustainable management systems that promote healthy work environments and continuous improvement aimed at achieving an "injury-free culture.**

### **Integrity**

**"We always do what is right, even when no one is looking."**

### **Commitment**

**"We will give our all in everything we do at no one else's expense."**

### **Respect**

**"We will value other's feelings, needs, thoughts, ideas, wishes, and preferences."**



## **AFSI's Code of Conduct**

Advanced Filtration Systems Inc. (AFSI) is committed to applying uniformly high standards of ethics and business conduct in every country in which we operate. We believe that a key to our success is our longstanding commitment to integrity in our dealings with our customers, employees, suppliers, government authorities, and the public.

We are guided in this increasingly global economy both by the laws of the United States and the laws of the countries in which we are located or do business. We will always make our decisions with the best interests of the Company in mind and without personal gain as our motive.

Guided by our Shared Values, we are one Company with a shared commitment to the highest standards of conduct. We not only strive for compliance with the law, but to create a work environment that employees take pride in, a Company that others admire, and a world that is made better by our actions.

The Code of Conduct applies to the daily activities of all employees at AFSI and each of us is personally responsible to read the Code, understand what it means and apply it consistently. Together, we are laying the foundation for the value based culture that will carry us forward to even higher levels of success. Together, we are upholding the reputation of a great company and strengthening it for tomorrow.

## **AFSI's Compliance Committee**

**Debbie Sanford**  
Chief Financial Officer, Secretary, and Treasurer

**(217) 353-0549**  
**dsanford@afsifilters.com**

**Annette Darling**  
Human Resources Generalist

**(217) 353-0575**  
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**Katie Spila**  
Senior Accountant

**(217) 353-0579**  
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**Kevin Quinlan**  
Human Resources Manager

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## Demonstrating Our Values

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### Safety

**“We believe that all incidents are preventable and risks can be reduced through sustainable management systems that promote healthy work environments and continuous improvement aimed at achieving an injury-free culture.”**

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Our mission is to continually advance and improve workplace safety and health for all employees through establishing a strong safety and health management system. We want to be recognized and respected by our employees, customers, and the community for our safety accomplishments. In order to be successful in this pursuit; we must maintain a high level of safety performance through many business cycles and ultimately eliminate all recordable injuries and lost-time accidents. We believe that a safe and healthy workplace provides us a competitive advantage and that maintaining high standards in these areas will help to ensure our long-term success.

Working safely will always be more important than the job being done!

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### Integrity

**“We always do what is right, even when no one is looking.”**

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#### ***Identifying Conflicts of Interest***

A conflict of interest arises when your personal activities and/or relationships interfere, or appear to interfere, with your ability to act in the best interest of the Company. When communicating or interacting with a supplier on behalf of the Company, personal interests and relationships must not interfere, or appear to interfere, with your ability to make decisions in the best interest of the Company.

#### ***Being Offered Meals, Entertainment, and Gifts***

Use caution when accepting meals, entertainment and gifts or any other favor, from vendors or customers because it may impair, or appear to impair, your ability to make objective decisions in the best interest of AFSI. Ensure awareness of local rules and regulations when accepting or giving anything of value.



### ***Giving Meals, Entertainment, and Gifts to Suppliers or Customers***

Meals, entertainment and gifts for third parties should always have a business purpose for the Company. Always be sensitive to our customers' and suppliers' own rules on receiving gifts.

### ***Refusing Anything of Value***

If you are offered a gift, meal, or entertainment over a \$50.00 limit, be polite and decline. Explain the Company's rules of non-acceptance.

### ***Remember, Everybody is Accountable***

Each one of us is expected to follow the Code and obey the law. Furthermore, you are expected to avoid even the appearance of improper behavior and use professional judgment at all times. If a situation leaves you unsure, use the guidance in the code to find assistance.

### **If you are ever faced with uncertainty, use the following as a guide:**

Is the action or proposed activity...

- Legal?
- Ethical?
- Consistent with the Code?
- Something you would be proud to see on the nightly news?

If the answer to any of these questions is "No", then do not take that action.

If you are ever uncertain of how to act in a certain situation, it is your responsibility to ask for assistance. Find assistance by speaking to your supervisor or manager, or by contacting AFSI's Compliance Committee.

If you would like to seek assistance anonymously, please ask your questions by way of the Global Compliance hotline or website.

**Hotline: 888-475-0474 in the U.S. (800-253-0340 in the Czech Republic)**

**Website: <http://afsi.myethicsline.com>**

Calls or reports can be made 24 hours a day, 7 days a week. The website is available in both English and Czech languages.



## ***Accept Only the Highest Standards from Management***

A manager should lead by example. As such, managers are accountable and responsible for:

- Facilitating an environment that promotes open and honest communication and ensuring that all employees are comfortable raising concerns
- Never choosing to achieve business results at the cost of integrity, ethics, and the truth
- Identifying and ending violations of the law or Code of conduct for employees that you supervise
- Never retaliating if a colleague reports an issue
- Ensuring that the fellow employees you supervise understand their responsibilities under the Code, law, and other company policies
- Mentoring by discussing the Code and reiterating the importance of honesty, integrity, and compliance with policies
- Considering employee Code of Conduct compliance when evaluating employees
- Being honest with all colleagues

A manager should understand the code and be able to answer questions about it. When a Code of Conduct question is asked, make time to either answer the question or find assistance. If the concern or question may require further investigation under the Code of Conduct policy, ensure the issue is carried forward to resolution.

## ***The Code of Conduct and the Law***

Employees are expected to comply with the Code. They are also expected to abide by all applicable government laws, rules, and regulations. Employees are subject to the laws of other countries and other jurisdictions in which they may be operating around the world. If the Code conflicts with applicable law, the law should always be followed. AFSI is incorporated in the United States, as such; our employees around the world often are subject to U.S. laws. Other countries also may apply their laws outside their borders to Company operations and personnel. If you have a question concerning which laws apply to you, or if you believe there may be a conflict between various applicable laws, consult Debbie Sanford.

## ***Keeping Accurate Books and Records***

All Company business and financial records need to be accurate and complete. Books and records include financial transactions, other records, production reports, time records, expense reports, and submissions such as benefits claim forms and resumes. It is your responsibility to record transactions correctly.

This is everyone's responsibility, not just a role for accounting personnel. Accurate recordkeeping and reporting reflects on the Company's reputation and credibility, and ensures that the Company meets its legal and regulatory obligations. The following are guidelines that you should follow regarding recordkeeping for the Company:

- Never forge or create a false document
- Never knowingly bypass an internal control



- Do not sign off for approval of a transaction without taking due care to understand the business implications
- Ensure that all reports to regulatory authorities are full, fair, accurate, and timely
- Always record transactions in the proper period and in the appropriate account. Do not delay or accelerate the recording of revenue or expenses to meet budgetary goals.
- All estimates and accruals must be supported by appropriate documentation and must be based on your best judgment, using the best information available
- Do not distort the true nature of any transaction
- Never enable another person's efforts to evade taxes or subvert local laws. Payments generally should be made only to the firm that actually provided the goods or services.

Everyone is expected to attempt to be accurate when preparing any information for the Company, but honest mistakes occasionally will happen. Only intentional efforts to misrepresent or improperly record transactions, or to otherwise falsify a Company business record, are Code violations.

### ***Safeguard Assets and Use Them as Intended***

Good judgment rules. Sometimes a personal phone call or e-mail from your workplace is acceptable and necessary. Excessive personal calls, or, using the company line to make calls to relatives in South America, are a misuse of assets.

Theft of any kind will not be tolerated. Theft includes physical theft such as inventory being stolen from the warehouse floor, or theft through embezzlement or intentional misreporting of timesheets or inventory adjustments. These acts may result in termination and criminal prosecution. AFSI treats theft as grounds for termination.

Use company assets as they were intended, do not use assets for personal enrichment. This activity may interfere with your job responsibilities.

It is a violation to use company computer for illegal or unethical activities such as gambling, pornography, or other offensive subject matter. Refer to the Information Systems Usage Policy in the Employee Handbook for additional information and guidance.

### ***Personal Assistance Should be Kept out of the Workplace***

Personal assistance matters should be kept out of the work environment at AFSI. An example of inappropriate behavior would be that of a manager who constantly requires an administrative assistant to plan his/her children's sports activities or wash his/her car on Company time. In this example, the manager misused the employee's time, which is a Company asset.

### ***Keeping Company Information within the Company***

All employees must guard the Company's proprietary information, which includes everything from company agreements to production plans, to goals, compensation, and metrics, as this information could include technical specifications and private employer information.



## ***Handling Private Information***

Do not disseminate private information to anyone outside the Company. Do not disclose any facts to family and friends, except in rare circumstance where required for business purposes. Even then, take precaution and consider the need for a confidentiality agreement to prevent misuse of the information.

Examples of private information include any information that the Company possesses that would not be found in the public domain including:

- Employees data
- Product drawings, designs
- Contracts
- Information on new products
- Company policies
- Pricing
- Proposals
- Financial data
- Product costs
- Information about new or departing employees

We respect the privacy of all our employees. We must handle personal data in compliance with all applicable privacy laws and it must be kept with the utmost care. Employees who interact with this type of information must:

- Limit access to the information to those required
- Ensure that unauthorized disclosure does not occur
- Follow the law
- Follow all company specific rules and policies
- Only use and process such information for legitimate business purposes

## ***Interactions with Governmental Entities***

Our business is global and it requires interaction with governments around the world. Interaction and business transactions with governments and their employees are often governed by different and/or additional regulations. If you have a question, consult Debbie Sanford to be certain that you are aware of, understand and abide by these regulations, rules, and laws.

As a rule of thumb, do not offer anything to a government official in return for a favor. You must obtain prior approval from Debbie Sanford before providing anything of value to any government official. Also, take care so that any such payments to a governmental official are accurately recorded in the company's financial statements.

## ***Definition of "Anything of Value"***

Any payment or exchange of anything that might have value to a government official, which could include cash, gifts, meals, tickets, business opportunities, Company product, offers of



employment, entertainment, status, and more. A key point to understand is that there is not a monetary threshold. In other words, a bribe of even a very small amount; could be considered as a bribe.

### ***The Foreign Corrupt Practices Act***

Advanced Filtration Systems Inc. is incorporated in the United States. As such, the U.S. Foreign Corrupt Practices Act (FCPA) applies to all employees based in the United States and abroad. The act prohibits bribes to officials of non-U.S. governments. See more details within the Foreign Corrupt Practices Act Overview. It is the responsibility of each employee to read and understand the FCPA rules and our FCPA supplement.

### ***Government Officials, Who are they?***

Government official include any of the following:

- Employees of any government controlled entity
- Employees of a government or public organization
- Politicians, political parties, officials, and candidates

Each employee is accountable to understand whether someone you deal with is a government official. If you have a question, do not hesitate to speak with Debbie Sanford.

### ***Anti-Bribery Regulations and the Foreign Corrupt Practices Act***

The United States and many other nations have passed legislation making bribery of government officials illegal. Violation of these laws can create serious sanctions that often include severe individual and corporate fines. Imprisonment is also a possibility.

### ***Bribes Are Strictly Prohibited in All Situations***

A bribe is giving or proposing to give something of value to a government official to influence a decision. Bribes exist in many forms, some examples include payment to encourage an award or continue a business relationship, to influence the outcome of a government inspection, or to influence tax authorities. There are a variety of other situations where a payment would be considered a bribe. Consult Debbie Sanford and also refer to additional company detail in this document regarding adherence to the Foreign Corrupt Practices act.

### ***Avoiding Improper Payments through Intermediaries and Third Parties***

Advanced Filtration Systems Inc. can be held liable for bribes paid by third-parties, contractors, agents, or consultants operating on behalf of the company. Take additional care and perform additional diligence when evaluating whether a prospective third party might offer a governmental official what could be considered a bribe. All employees are prohibited from transacting and/or engaging with a third-party agent if there is any reason to believe they may attempt to bribe a government official. Also, ensure that all third parties agree to abide by the Code of Conduct. Consider whether verbiage should be added and/or amended to current



contracts and agreements to ensure the third party understands and complies with AFSI's policy. Again, refer to the Foreign Corrupt Practices Act Overview for additional guidance about payments to government officials and engaging third parties.

### ***Facilitating Payment Guidelines***

A payment to a government official may be lawful under a certain narrow exception known as a "facilitating payment." The Foreign Corrupt Practices Act allows for "facilitating payments", which are small amounts paid to non-U.S. government officials to expedite or facilitate non-subjective duties or services. Examples of this sort of activity include obtaining a license or utility service or expediting loading or unloading of cargo. Payments such as these may be necessary but, the Company discourages facilitating payments. Furthermore, such payments may not be in compliance with local law. If you think there may be a need for a facilitating payment, obtain prior approval and consultation from Debbie Sanford.

### ***Trade Rules and Regulations***

The Company will comply with all trade restrictions and boycotts imposed by the U.S. government, if applicable. These restrictions prohibit the Company from conducting business in specified countries, and with specified individuals and entities, such as terrorist organizations. The penalties could be very severe for non-compliance and may include fines and incarceration. The Company could be also prohibited from further participation in certain trade. The Company also must abide by U.S. anti-boycott laws that prohibit companies from participating in any international boycott not sanctioned by the U.S. government. For more information on trade restrictions contact Debbie Sanford.

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## **Commitment**

**"We will give our all in everything we do at no one else's expense."**

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### ***AFSI's Mission Statement***

**"We will be the low-cost manufacturer of the highest quality filters. We will achieve and maintain this position through continual improvement of our process and product."**

AFSI employees are constantly striving to satisfy our Mission Statement. Utilizing teamwork and determination, we have remained focused on achieving the Company's objectives and not our own personal agendas. Our workforce thrives on challenges and absorbs difficult times without ever swaying from the goal of producing the finest quality filter on the market at a competitive price.

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## Respect

**“We will value other’s feelings, needs, thoughts, ideas, wishes and preferences.”**

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### ***Communicate Openly and Honestly***

Since our incorporation in 1986, AFSI has built a reputation based on high quality products and a commitment to our customer’s success. The foundation of our ability to produce a quality product is our dedication to a work environment that fosters open and honest communication. Our ongoing communication facilitates improvement of our processes and procedures. The benefit of honest and open communication is reflected in our product.

### ***Political Activity***

Advanced Filtration Systems Inc. supports individuals who choose to participate in the political process if the employee activities comply with the Code and with all relevant laws.

- The Company will not reimburse or otherwise pay for employees for personal political activity
- Employment will not be affected by your personal political views
- Do not use the Company’s name to further your own political interests
- If you plan to pursue a public office, you must obtain prior approval from the General Manager

### ***Following the Code***

Our ability to meet each of our customer’s needs and goals is contingent upon our employees following the Code of Conduct and being accountable for their actions. Each employee is expected to obey the law and follow AFSI’s policies and procedures. This Code is a guideline of how you are expected to act as an employee of AFSI.

### ***We Exchange Ideas and Report Problems***

AFSI promotes an environment where all employees are comfortable communicating with their managers, from a simple question to reporting a larger problem or concern. If you see something that you are not comfortable with, you are encouraged to tell somebody. We realize that there are situations where you may not be comfortable speaking with your supervisor or manager. For example, if you suspect that your supervisor or manager is misrepresenting their time sheet. In cases like these, we strongly encourage you to discuss the issue with another manager, a representative from Human Resources, or report the issue anonymously using the Global Compliance hotline or website. In any case, you can rest assured knowing that AFSI protects all employees who honestly report concerns. We also protect anonymity should the



employee so choose to keep their identity confidential. All good faith reports will be taken seriously and AFSI will take due care to ensure a fair and adequate resolution is found. All of us here at Advanced Filtration Systems Inc. must abide by the law, be accountable for our actions and always act with honesty and integrity. The Code of Conduct will serve as a framework for our accountability and will guide us making choices to demonstrate our honesty and integrity. As employees, we represent Advanced Filtration Systems Inc. and the Code defines our conduct. It outlines our responsibilities to the Company and the employees, suppliers, customers, governments, and affiliates with whom we interact.

Each of us can do and is expected to do the right thing. We believe that by always exhibiting integrity we can guard and grow our reputation. Our accountability to these principles will define our brand here in the United States and worldwide.

### ***How We Interact with our Suppliers and Our Customers***

We value our partnerships with our suppliers and our customers. Each employee is expected to treat these partners in the same manner we expect to be treated.

Be fair and be honest with suppliers and customers, and treat them with respect:

- Always present Company products in an honest and forthright manner
- Be honest about what we can deliver and when
- Never mislead or lie
- Ensure all your activity with a supplier or customer is consistent with the Code

We expect our suppliers to act in a manner consistent with our Code. Furthermore, employees that manage the supplier/customer relationship should ensure that adherence to our Code of Conduct is a condition in each supplier agreement.

### ***Fair Competition***

We interact with our competitors fairly and comply with all applicable competition laws. These laws often are complex and vary widely. We are responsible for understanding the laws of the nations and regions in which we conduct business. Conduct permissible in one country may be unlawful in others, it is important to understand these nuances as penalties can be severe.

Employees are encouraged use information about our competitors, but only in a legal and ethical manner. It is acceptable to collect competitive intelligence through publicly available information or ethical inquiries. For example, you may gather and use information from sources such as:

- Annual reports
- News and trade journal articles and publications
- Publicly available filings
- Public searches

You also may accept competitive intelligence offered by a third party, as long as there is no reason to believe that the third party is under a contractual or legal obligation not to reveal such information.



## ***Prohibited Activities***

The following activities regarding our ability to gather competitive intelligence are restricted:

- Competitive information that you have reason to believe was disclosed to you in breach of a confidentiality agreement
- Illegally obtained competitive information, that was received from theft, eavesdropping, computer hacking, bribery, or any other unlawful or unethical means
- Disclosing or using competitive information that you believe should have been, marked “confidential”

## **Application of Our Code of Conduct**

The purpose of the Code of Conduct is to ensure uniformity to how employees conduct themselves within the Company, and outside of the Company. It provides guidelines and procedures for handling potential violations of the Code. The Code does not cover all circumstances and the topics discussed and guidelines suggested may vary to conform to local law. If an issue arises that is not specifically covered by the Code, it is your responsibility to contact Debbie Sanford to receive guidance and written approval.

### ***Responsibility***

The responsibility for administering the Code rests with the committee, with oversight and ultimate ownership from the Audit Committee of the Board of Directors, but the responsibility does not end here. Each and every employee of AFSI is responsible for acting within the guidelines of the Code.

### ***Speak Up if You Are Aware of a Code Violation***

We are obligated to operate within the ethical standards of AFSI. If in the course of your job duties, or otherwise, you observe behavior that concerns you or is, in any way, in violation of the Code, raise the issue immediately. This will give the Company a chance to mitigate, address or fix the problem before it escalates. Your immediate response can help prevent harm to the Company's reputation and assets.

### ***Ways to Report***

There are numerous options for bringing to the surface questions, issues and concerns. Contact any of the following:

- Supervisors or Management
- The Compliance Subcommittee
- Human Resources
- The Global Compliance Hotline or Website



### ***Exception that may be in Existence in Your Country***

Several European Union countries limit the types of reports that may be submitted. If you run into a problem reporting your issue please contact Debbie Sanford.

### ***Confidential and Anonymous Reports***

Making a report to the Global Compliance hotline or website, offers an advantage of remaining anonymous. If you choose to identify yourself, the subcommittee will take every reasonable precaution to keep your identity confidential, consistent with conducting a thorough and fair investigation. To help maintain confidentiality, avoid discussing these issues, or any investigation, with other employees. Because we strive to maintain strict confidentiality in all investigations, we may not be able to inform you of the outcome of an investigation.

### ***Conduct of Our Investigations***

AFSI will treat all reports of possible misconduct genuinely. We will make a determination whether the Code or the law has been violated, will investigate the matter confidentially and take appropriate corrective action while keeping identities confidential. If you are involved in a Code investigation, you will be expected to cooperate fully and answer all questions completely and honestly.

### ***Those Who Voice Concerns and Raise Potential Issues Will Be Protected***

We appreciate and need employees to identify potential problems or potential Code violations. Any retaliation against an employee who raises an issue honestly is a strict and deliberate violation of the Code. If an employee has raised a concern honestly, or participated in an investigation, they may not be subject to an adverse employment action, including termination, reduction of title and responsibilities, suspension, loss of benefits, threats, harassment or discrimination as a result of their role in an investigation.

If you are aware that an employee has voiced a concern or provided facts in an investigation, you should continue to treat the person in compliance with the Code, that is, with courtesy and respect. If you believe someone has retaliated against you, report the matter to Human Resources, the Compliance Committee, or the Global Compliance hotline or website.

### ***An Employee is Prohibited from Making False Accusations***

AFSI will protect any employee who raises a concern within our principles and tells the truth. It is a violation of the Code to knowingly make a false accusation, lie to investigators, or interfere or refuse to cooperate with a Code investigation. You do not have to be one hundred percent sure you are right to raise a concern; you just have to believe that the information you are providing is the truth. Employees are expected to report all information as accurately as possible.



### ***Investigation of Potential Code Violations and the Incident Response Plan***

Based on the nature of the report, the Company will take appropriate action in compliance with the Incident Response Plan. The Incident Response Plan identifies protocol for dealing with different types of reports and assigns ownership of the investigation and its resolution. The Compliance Committee will take each report of a potential Code violation seriously and is committed to maintaining confidentiality. The Compliance Committee is also committed to performing a full investigation of all allegations. The nature and severity of the claim will determine the extent of the Code investigation. Code investigations could range from simple inquiries to full investigations. Employees who are subject to being investigated for a potential Code violation will have an opportunity to voice their views prior to final determination.

### ***Decisions***

The Incident Response Plan names those who are responsible for all decisions about Code violations and resulting discipline, depending on the nature of the allegation reported. Those employees found to have violated the Code can seek appeal of the violation and any resulting disciplinary action decisions.

### ***We Will Discipline Code Violators***

Our reputation depends on our adherence to the Code, as such; the Compliance Committee strives to impose discipline that fits each Code violation. When an employee is determined to have violated the Code, details will be placed in the employee's personnel file as part of the employee's permanent record. Additionally, the Compliance Committee may impose punishment up to and including termination.

### ***Reporting of Code Decisions and Investigations***

Reports of all pending Code investigations and final Code decisions, including disciplinary actions, will be reviewed by members of the Audit Committee of the Board of Directors to ensure that Code investigations and final Code decisions are handled in accordance with this policy.

### ***Signature and Acknowledgement***

Every employee must sign an acknowledgement form confirming that he/she has read the Code of Conduct and agrees to follow its provisions upon accepting employment with AFSI. All employees will be required to make continued acknowledgements on an annual basis. Failure to read and understand the Code and sign the acknowledgement form does not excuse an employee from compliance with the Code.



## **Other Policies and Guidelines**

The Code of Conduct does not address all workplace conduct and policy. The Company maintains additional policies and guidelines that provide additional guidance on matters in the Code or address conduct not covered by the Code. Here is a list of such resources:

- Advanced Filtration Systems Inc. – Employee Handbook
- Foreign Corrupt Practices Overview
- Additional AFSI Policies – Policies are maintained by Human Resources and can be accessed by any AFSI supervisor (U drive/Supervisors/Additional AFSI Policies)