

Business Conduct Guidelines of the Pfleiderer Group

In all actions Pfleiderer has submitted to the principle of legality, i.e. the unreserved observance of the laws and public directives/instructions, and to an ethically and socially responsible conduct founded on the guidelines of leadership and cooperation. Thus, we always base our strategic considerations as well as our daily business on the highest ethical and legal standards (compliance).

The public image of our company is shaped in essence by the appearance, dealings and conduct of each one of us. Each one of us is jointly responsible for us as a company to fulfill our business responsibilities worldwide. We also expect our suppliers, customers and business partners to maintain this business responsibility, in other words compliance-like conduct.

The Pfleiderer Business Conduct Guidelines are globally binding rules that apply to all employees of the Pfleiderer Group. They should help master the ethical and legal challenges of daily work. Each employee can turn to their manager with questions and suggestions in this regard or to any other body nominated for this purpose.

The Business Conduct Guidelines can be supplemented by detailed **company regulations** as long as these conform to the principles laid down herein. In the case of differences the more stringent regulation will take preference. In this way, subsidiaries abroad can take **national features** into account as long as these are in harmony with the fundamental principles stated here. Should national laws be stricter, those will have precedence.

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A. Basic Requirements of Conduct

A 1. Law-abiding Conduct

The observance of law and order is our company's highest priority. Every employee must abide by the legal provisions of the legal system within which he is operating, i.e. when conducting cross border business, those of the foreign country. Breaking the law must be avoided at all times in particular violations that could be punished with a jail sentence, penalty or fine.

In difficult situations it may help to ask oneself the following questions before acting:

- 1) Is my action/decision legal?
- 2) Does it comply with our values and guidelines?
- 3) Is it correct and unencumbered by personal interests?
- 4) Will my action or decision withstand public scrutiny?
- 5) Does my decision protect the reputation of the Pfleiderer Group as a company of high ethical standards?

Every employee, who breaks any law, must expect disciplinary consequences resulting from an infringement of his contractual obligations – independent of any sanctions under the law.

A 2. Responsibility for our Reputation

Our reputation is shaped in essence by the appearance, actions and conduct of each one of us. Inappropriate conduct by just one of the employees can cause considerable damage to the company.

Every employee is obliged to consider our reputation in society. He must orient all aspects of the fulfillment of his tasks towards this. Management / superiors are not only responsible for their own attitudes but must also ensure that their employees conduct themselves according to these Guidelines.

A 3. Mutual Respect, Honesty and Integrity

We respect the personal dignity, the privacy and personal rights of all individuals. We work with women and men of different nationalities, cultures, religions and skin colour. We do not tolerate any discrimination and any sexual or other personal harassment or insults.

We are open and honest and stand by our responsibility. We are dependable partners and only make promises we can keep.

These principles apply equally to the internal cooperation as well as to the conduct towards external partners.

A 4. Leadership, Responsibility and Supervision

All managers are responsible for the employees entrusted to them. They must earn their respect through exemplary personal conduct, achievement, transparency and social competence. They set clear, ambitious and realistic goals, lead by trust and allow their employees as much individual responsibility and freedom as possible. Employees can approach them with business as well as personal concerns.

All managers must fulfill organisational and supervisory obligations.

They are obliged to ensure that within their respective area of responsibility no violations of the law occur, which could have been prevented or made more difficult with proper supervision. Even when delegating individual tasks, they retain this responsibility.

In detail the following applies:

1. Managers must select employees carefully according to personal and professional suitability. The duty of care increases with the significance of the task that the employee must perform (selection duty).
2. Managers must assign precise, complete and binding tasks in particular with a view to the observance of legal provisions (assignment duty).
3. Managers must ensure that the observance of legal provisions is constantly monitored (monitor duty).
4. Managers must clearly communicate to employees that breaking any laws is deplored and carries consequences under the employment laws.

When judging the misconduct of members of the board and management we apply stricter criteria than for other employees. Members of the board and management are held accountable to a greater degree for complying with the Business Conduct Guidelines.

B. Contact with Business Partners and Third Parties

B 1. Observance of the Competitions and Anti-trust Laws

Only fair competition has the right to develop freely. The need for integrity also applies to the battle for market share.

Every employee is obligated to observe the rules of fair competition.

An anti-trust judgement can be difficult in individual cases. This notwithstanding, there are behaviour patterns that regularly point to a contravention of anti-trust laws.

Employees may not have discussions with competitors about prices or capacity. Further, discussions with competitors about renouncing competition, about submitting sham offers on tenders or about allocating customers, areas or production programmes are not permitted.

Employees may not influence customers with regard to resale prices or try to effect export or import embargoes.

B 2. Offering and Granting Benefits

No employee may offer or grant others unwarranted benefits – directly or indirectly – in connection with business activities neither in the form of money nor any other services.

Promotional gifts to employees of business partners must be chosen in such a way as not appear in the least improper and incorrect to the recipient. When in doubt, the recipient should be asked to seek prior permission from his superior. Should the recipient refuse to do so, this would mean that he himself regards accepting the gift as wrong.

Officials and other public officer are not to be given gifts.

Employees who conclude contracts with consultants, brokers or similar third parties must make sure that here; too, no unwarranted benefits are offered or granted.

B 3. Requesting and Accepting Benefits

No employee may use his business position to request, accept, procure or agree to receive benefits. This does not include accepting incidental gifts of nominal value; other gifts must be refused or returned.

B 4. Special Rules for the Awarding of Contracts

Employees who are involved in the awarding of contracts must heed the following rules particularly:

- The employee must inform his manager of any personal interest that may exist in connection with the performance of his business duties.
- Suppliers may neither be given preference nor be hindered unfairly while competing for contracts.
- Invitations from business partners may only be accepted if the occasion and extent are appropriate and a refusal of the invitation would contradict the precept of politeness.
- Gifts from business partners must be refused or returned unless they are insignificant incidental gifts of nominal value.
- No employee may use companies with which he has business relationships to perform private contracts if this could result in benefits to him.

B 5. Donations

A large variety of organisations, institutions and associations approach our company for donations. The following rules apply to making donations:

- Requests for donations from individuals must be refused as a matter of principle.
- Payments onto private accounts are not permitted.

- Under no circumstances may a donation be made to persons or organisations that could damage our reputation.
- The donation must be transparent. The recipient of the donation and the exact use by the recipient must be known. The reason for the donation and its dedicated purpose must be accounted for at all times.

Donation-like payments violate the precept of transparency and are forbidden. Donation-like payments are gratuities that seem to be granted as payment for a service. However, the payment clearly exceeds the value of the service. This then is – at least partially – a gratuity for other purposes. When in doubt, requests for donations should be discussed and agreed with the board member responsible before making a decision.

C. Avoiding Conflicts of Interests

The company considers it important that its employees do not encounter conflicts of interests or loyalty during their business activities. Such conflicts can occur if an employee works for or participates in another company. Therefore, the following rules apply for us:

C 1. Non-Competition Clause

It is not permitted to operate a business that is in competition with us either wholly or partially.

C 2. Participation in Non-Listed Companies

It is not permitted to participate directly or indirectly in a company not listed on the stock exchange that is in competition with us either wholly or partially. This does not apply to the participation in a company, buying of shares, for the exclusive purpose of capital investment on a reasonable scale.

Prior written permission is necessary for the following participation:

- in companies that are our business partners;
- in companies to which we have directly or indirectly made capital available.

Permission will be given by management and recorded in the personal file.

Permission will not be granted or can be revoked if the employee is involved with the company in business related work.

An employee must report any participation in competition companies or any of the above mentioned companies by close relatives, as far as he has knowledge of this, to the personnel department in writing and this will be recorded in the personal file.

C 3. Secondary Employment

Any paid secondary employment must be reported to management in advance in writing and authorised by it. Any secondary employment that interferes with the performance, conflicts with the duties in the company or could lead to a clash of interests can be prohibited. Excluded from this are activities as a writer, lectures and similar occasional activities without request for payment.

D. Handling of Company Facilities

The facilities and equipment in offices and workshops (e.g. telephone, copier, PC including software and Internet/Intranet, machines, tools) may only be used in the line of business. Exceptions and possible payment for use will be regulated on site. Under no circumstances may information be accessed or passed on that invokes racial hatred, glorifies violence or incites other crimes or has a sexually offensive content.

No employee is permitted, without the consent of the manager, to make notes, files audio or video recordings if these are not directly necessitated by business activities.

E. Handling of Information

E 1. Records and Reports

Correct and truthful reporting is part of an open and effective cooperation. This applies equally to the relationship to investors, employees, customers, business partners as well as to the public and all official authorities.

All records and reports that are produced internally or are issued externally must be correct and truthful. According to the principles of proper accounting data collection and other records must at all times be complete, correct, timely and appropriate for the system. The precept of truthful information applies equally to the statements of expenses.

E 2. Confidentiality

Internal matters of the company that are not public knowledge must be kept confidential. This includes, for example, details concerning the organisation of the company and its facilities as well as procedures of business, manufacture, research and development and data regarding internal reporting.

The obligation to confidentiality continues also after termination of employment.

E 3. Data Protection and Data Security

Access to the Intranet and Internet, worldwide electronic exchange of information and dialogue, electronic business transactions are essential preconditions for the efficiency of each individual and for the overall business success. The advantages of electronic communication are combined with risks to privacy protection and data security. Effective preventative measures against such risks are an important part of IT management and management duties. The attitude of each individual contributes to this risk prevention.

Personal data may only be collected, processed and used if this is necessary for fixed, definite and legal purposes. A high standard of quality of the data and technical security against unauthorised access must be ensured. The use of data must be transparent to those concerned, their rights to disclosure and correction and possible objection, blocking and deletion must be maintained.

E 4. Insider Rules

Individuals with insider information about our company may not deal in shares of our company listed on the stock exchange or admitted to unofficial regulated markets. Insider information is all non-public information that could influence an investor's decision to buy, sell or keep shares.

Insider information may not be passed on without authority to persons outside of the company (e.g. to journalists, financial analysts, customers, consultants, members of families or friends).

Also within the company, this information may only be relayed if the recipient actually requires it to perform his duties. In addition, pertinent insider information must at all times be kept under lock and key or secured so that unauthorised personnel cannot gain access to it.

Persons with insider information may not give investment tips to third parties.

Further, the following must be noted: managers are personally responsible for damages if one of their employees violates insider rules and this violation could have been prevented by proper supervision.

F. Environment, Safety and Health

F 1. Environment and Technical Safety

The conservation of the environment and the protection of its resources are company goals of high priority. Global environment management ensures the compliance with the statutes and sets high standards for this.

Each employee must actively contribute to an exemplary performance in this area.

F 2. Occupational Safety

Responsibility for employees and colleagues serves as the best prevention against risks of accidents. This applies equally to the technical planning of workplaces, facilities and processes and to safety management as well as personal conduct in day to day activities. The work environment must conform to health oriented designs.

Each employee must be aware of occupational safety at all times.

G. Complaints and Suggestions

Each employee can turn to his manager, the personnel manager or any other person thus nominated to make a personal complaint or indicate circumstances that point to a violation of these Business Conduct Guidelines. The matter will be thoroughly investigated. If appropriate, suitable measures will be taken. All documents will be kept confidential. Retaliatory actions, no matter of what type, will not be tolerated.

We assure that reports on violations of these Business Conduct Guidelines will be kept in strict confidence and have absolutely no negative consequences for the employee making the report unless untrue information was deliberately submitted.

Employees should make use of the internal dispute resolution facilities.

H. Implementation and Control

The company management actively promotes the extensive communication of the Business Conduct Guidelines and ensures their lasting implementation.

Adherence to the law and observance of the Business Conduct Guidelines should be controlled regularly in all branches of the company worldwide. This occurs according to the relevant national procedures and legal provisions.

Specific persons are nominated and listed in the Intranet who are authorised to ensure fair and corruption-free competitive conduct as well as compliance with these Business Conduct Guidelines.

Neumarkt, September 9, 2008

- The Executive Board of Pfleiderer Aktiengesellschaft -