

VAC Code of Conduct and Ethics

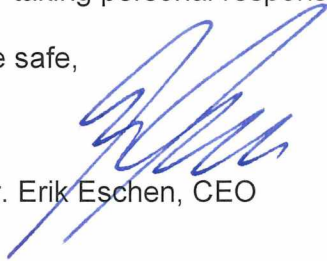
A Message from Dr. Erik Eschen, CEO of VAC Group:

VAC is committed to compliance with all applicable laws and the highest standards of integrity and ethics. The VAC Code of Conduct and Ethics sets forth the expectations of working at VAC, its subsidiaries and affiliates. The Code helps guide each of us in acting responsibly, ethically and lawfully. Each employee needs to be aware that colleagues or business partners may take him as an example of our commitment to our Code. In particular as a manager, you have the responsibility to lead by example and ensure that your team remains in full compliance with the Code.

One of VAC's core values includes the responsibility for each of us to "Do the Right Thing." This means that honesty, intellect, transparency and integrity drive our decision-making process. Our behavior in every situation will be beyond reproach. Always "take the high road" – and yes, there is always a high road!

Thank you in advance for taking the time to participate in this training and more importantly, for taking personal responsibility to *Do the Right Thing*.

Be safe,



Dr. Erik Eschen, CEO

INTRODUCTION

VAC Group including all of its companies ("VAC" or the "Company") are committed to conducting business in an ethical and legal manner throughout its worldwide operations. VAC directors, employees, agents and other representatives are expected to act in accordance with the highest ethical and legal standards in all aspects of their activities associated with VAC. VAC also expects its partners, distributors, agents, suppliers, independent contractors and consultants with whom we do business to adopt and embrace

similar values and standards. The term "employee" includes all officers, corporate and operating managers and employees of VAC.

This Code of Conduct and Ethics ("Code" or "Code of Conduct") applies to all of VAC's Board of Directors and employees and outlines the broad principles of ethical and legal conduct we embrace to guide our actions. These principles are not intended to be a complete list of ethical and legal issues a director or employee might face in the course of his or her business activities. It is intended that these principles be applied using common sense and good business judgment. The Code of Conduct should be read in conjunction with all VAC policies, procedures, and other issued guidelines as may be amended from time to time. As a general rule, in the event of a conflict between applicable VAC policies, procedures or other guidelines as well as any mandatory law, the more restrictive rule will prevail.

These principles of conduct apply in all countries where VAC conducts business. Each VAC entity as well as each director, employee, agent and other representative is subject to the laws and regulations of the country where they work. VAC is multi-national business operation; therefore, in particular, Dutch, German, European and U.S. laws, rules and regulations along with the laws, rules and regulations of the countries in which we operate may apply to conduct that occurs outside of those jurisdictions.

This Code of Conduct replaces any previous English version of the Code of Conduct within VAC. If there appears to be a conflict between this Code of Conduct and applicable laws, or if you have any questions regarding the interpretation of applicable laws, you should contact the VAC Legal Department. As a general rule, in the event of a conflict between applicable VAC policies and applicable laws, the more restrictive policy or law will prevail.

For the avoidance of doubt, all policies still showing the company name or logo of VECTRA or OM Group remain fully in place unless and until explicitly withdrawn or replaced.

A. STANDARDS OF INTEGRITY, FAIRNESS AND HONESTY

It is VAC's policy to conduct its business with the highest standards of *integrity* and in accordance with all applicable laws, rules and regulations. All directors, employees, agents and representatives are expected to deal *fairly and honestly* with each other as well as

with our vendors, customers and other third parties. Any act of unethical business conduct, dishonesty, or disregard of the VAC Code of Conduct, policies, procedures, or issued guidelines, is a violation of the Code of Conduct and may result in disciplinary action, up to and including termination of employment.

Integrity. We earn our reputation by the things we do every day. To have integrity we need to treat our beliefs about right and wrong as the ground rules for our everyday decision-making and how we conduct ourselves. Our decisions and actions must be aligned with our ethical foundation and values – in other words we must “*walk the talk.*”

Fairness and Honesty. Fairness provides the most fundamental foundation for a productive work environment. It means actions taken are just and proper and not based on personal benefit, discrimination or favoritism. Honesty has two components: communication and conduct. We expect truthfulness and candor in all communications. Information must always be complete and accurate in order to be reliable. Honesty in conduct means there is no tolerance for stealing, cheating, fraud or other forms of deception.

B. NON-RETALIATION

VAC will not tolerate any reprisal or retaliation against any person who, in good faith, reports a known or suspected violation of any applicable law, rule or regulation or this Code of Conduct or any other policy, procedure or issued guideline of VAC. If you become aware of any reprisal or retaliation you should immediately notify the VAC Human Resources Department. You can also contact your local Compliance Officer, the VAC Legal Department or report through SpeakUp as further described below. VAC will take appropriate disciplinary action against any director, employee, agent or representative who retaliates, directly or indirectly, against any person for reporting a known or suspected violation of any applicable law, rule or regulation or this Code of Conduct or any other policy, procedure or issued guideline of VAC, or assisting in any investigation of any such violation or suspected violation.

VAC is committed to investigating complaints alleging violation of this Code, of Company policies and procedures or applicable laws and regulations. No director, employee, agent or representative should fear retaliation for making a good faith complaint or participating in an investigation as directed by the Company, a third party agent of the Company or state or

federal authorities.

C.PROMOTING A SAFE AND PRODUCTIVE WORKPLACE

Health and Safety

All directors, employees, agents or representatives are entitled to a healthy and safe work environment. Each of us is responsible for following all of the health and safety rules that apply to our jobs. We are all responsible for taking precautions to protect ourselves and our colleagues from an accident, injury or unsafe condition. If you see or experience an accident, unsafe practice or condition, report it immediately to your supervisor, a member of the management team, the responsible health and safety officer or any member of the safety department so the situation can be appropriately remedied.

Substance Abuse

VAC is committed to providing a healthy, drug-free environment for all directors, employees, agents and representatives. The manufacture, possession, or distribution, as well as being under the influence of alcohol or illegal drugs in the work-place, is prohibited. Directors, employees, agents and representatives are expected to familiarize themselves with the more detailed requirements set forth in a VAC's Drug and Alcohol policy or similar policies.

Violence and Weapons Prohibited

VAC strictly prohibits any threats or acts of violence or intimidation towards any director, employee, agent, representative, guest, subcontractor, consultant, vendor or customer as well as threats or damage to Company or personal property. Any such actions will be grounds for discipline up to and including immediate termination. Such actions can subject you and the Company to severe civil and criminal penalties. No weapons of any nature whatsoever shall be permitted on Company premises, including in parking lots, unless expressly permitted by applicable local law.

Environmental Stewardship

VAC is committed to the protection of the environment by continually improving its environmental stewardship to benefit customers, suppliers, employees, and other stakeholders in our global communities. We must all be committed to safeguarding the environment in and around our plants and properties. It is VAC's policy to comply with all applicable environmental laws and to take all reasonable precautionary measures to reduce the potential for the release of harmful substances.

Anti-Harassment

Every person is entitled to be treated with respect. Harassment is destructive to a positive work environment and will not be tolerated. Harassment is any form of inappropriate conduct towards another person or group that creates an intimidating, hostile or offensive work environment. Examples of harassing behavior include unwelcome advances or requests for sexual favors, inappropriate or offensive comments, jokes, intimidation, or physical contact. Harassing behaviors are unacceptable and violate this Code of Conduct. VAC does not tolerate harassing behavior regardless of whether you are on Company premises or not or engaged in off-hours Company-sponsored functions, such as department holiday parties or business travel.

Employees are encouraged to help each other by speaking out when another individual's conduct makes them uncomfortable. Anyone who engages in harassment will be subject to disciplinary action up to and including immediate termination. If an employee believes that he/she is being harassed, the employee may report such concerns to his/her immediate supervisor, any member of the senior management team, his/her local Compliance Officer, a member of the VAC Legal Department or the VAC Human Resources Department.

VAC is committed to investigating reports of harassment. Employees should be aware that VAC will endeavor to maintain appropriate levels of confidentiality in conducting any investigation, but the nature of a thorough investigation may require that sensitive information be discussed and as such, the Company cannot promise complete confidentiality.

Employees who knowingly make false reports may be subject to disciplinary action, up to

and including immediate termination. Reference is also being made to VAC's SpeakUp Policy as further described below.

Non-Discrimination

Our policy is to recruit, hire and promote and make employment decisions on the basis of skills and performance without regard to race, color, religion, ethnic or national origin, gender, sexual orientation, age, disability or veteran status. VAC expects all directors, employees, agents or representatives to support these policies and to treat other persons with respect and consideration.

No Child Labor or Forced Labor

VAC and each of its subsidiaries and suppliers shall not tolerate or use child labor in any stage of its business activities and strictly prohibits the use of any forced labor or involuntary prison labor during any stage of production. The most senior leader in each of VAC's subsidiaries shall be responsible for ensuring compliance with these provisions in its operations as well as its supplier relationships.

D. BUSINESS RELATIONSHIPS

Gifts and Entertainment

VAC's Policy on Gifts and Entertainment applies to anything given or received as a result of a business relationship for which the person receiving the gift or entertainment does not pay fair market value. This includes such things as trips, lodging, goods, services or entertainment. The Policy on Gifts and Entertainment applies at all times, including at holiday or traditional gift-giving seasons. Business gifts and entertainment are courtesies intended to build relationships – good will – among business partners. In many areas in which we do business they play an important role in business relationships. Under no circumstance should any gift or entertainment compromise, or appear to compromise, an employee's or a director's ability to make business decisions in the best interest of VAC. Accordingly, we require moderation and discretion in the use and acceptance of gifts,

entertainment and other gratuitous courtesies. These should be offered and accepted only where appropriate and reasonable. They should never be offered or accepted when there is the appearance of impropriety or where prohibited by law, rule or regulation. Accounting records and supporting documentation reflecting gifts and entertainment and who received them must be accurately stated. Additionally, the provision of gifts and entertainment may also be subject to Corrupt Practices/Bribery and the Political Contributions policies described below.

Conflicts of Interest

Directors, employees, agents and representatives are expected to make business decisions and take actions based upon the best interests of VAC, not based upon personal relationships or benefits. Conflicts of interest, and the appearance of conflicts of interest, will damage your reputation as well as the reputation of VAC.

A conflict of interest is any activity, investment, interest, association or relationship (including relationships with family members, relatives, friends and social acquaintances) which conflicts with the independent exercise of judgment in connection with your duties and/or employment with VAC. A conflict of interest occurs when your personal interests interfere in any way, or appear to interfere, with your professional responsibilities or the best interests of VAC. Each VAC director, employee, agent and representative is expected to perform his or her duties in good faith and in a responsible, loyal manner, and not engage in any activity that is, or appears to be, a conflict of interest.

A conflict of interest may arise in many situations. Although it is not possible to identify all situations which could involve a conflict of interest, good business judgment should be sufficient to evaluate most situations. ***In the event you are unsure whether or not a particular situation creates a conflict or potential conflict of interest, you are encouraged to seek guidance from your supervisor, your local Compliance Officer, the VAC Legal Department or the VAC Human Resources Department.***

Some common situations which involve potential or actual conflicts of interest include, but are not limited to:

- working for a competitor, customer, or supplier.

- owning a “side business” which competes with, sells to, or buys from VAC.
- directing business to or having business with a third party, including but not limited to any client, supplier and consultant, in which you, your spouse or any family member or someone close to you has an ownership or employment interest.
- having financial investments in competitors, suppliers or customers other than nominal investments in public companies.
- having a family or intimate relationship between a supervisor and a subordinate.

You must promptly disclose all potential conflicts of interest to VAC’s Legal Department or VAC’s Human Resources Department.

E. COMPLIANCE WITH LAWS AND REGULATIONS

VAC, a multi-national business operation, is subject to the laws, rules and regulations of the countries in which we operate. VAC requires its directors, employees, agents and representatives to comply with both the letter and spirit of all applicable laws, rules and regulations wherever VAC business is conducted. Any violations or potential violations of any law, rule or regulation must be immediately reported to the VAC Legal Department or the VAC Human Resources Department, in addition to your immediate supervisor. If you are contacted by law enforcement or a government agency about actual or suspected illegal conduct of any kind, immediately report such contact to the VAC Legal Department and VAC Human Resources Department.

The following are several specific legal areas which affect VAC directors, employees, agents, representatives and operations:

Antitrust and Competition Laws

Antitrust and competition laws regulate VAC’s relationships with its vendors, customers and competitors. While these laws are complex and broad, generally, they prohibit agreements, arrangements and activities which may have the effect of reducing competition or restricting free trade. VAC is committed to promoting free and competitive markets. Entering into any agreement or arrangement, or engaging in any activity, with vendors, customers and/or

competitors, which may illegally lessen competition is strictly prohibited. In addition, to avoid the appearance of improper conduct, contact with our competitors and their directors, employees, agents or representatives are prohibited except in those few limited circumstances where contacts are necessary and for lawful purposes. Directors, employees, agents and representatives are expected to contact the VAC Legal Department if there is any question or concern prior to engaging in any meetings involving competitors or any other related activity or practice.

VAC's Competition Policy provides further details regarding anti-trust and competition compliance.

Import, Export Control and Sanctions Laws

All countries have laws regulating the import and export of goods that advance national security concerns, further foreign policy objectives, raise revenue through duties, and/or serve other trade-related purposes. Some of these restrictions are consistent across jurisdictions while others are specific to individual countries or international organizations.

VAC has the general policy of complying with all applicable import, export control and sanctions laws. Along those lines, company policy prohibits all sales to countries subject to applicable embargoes. If you have export responsibilities, you should know these countries.

There are severe penalties for failing to comply with import and export laws and regulations. These penalties can include imprisonment, monetary fines, restricting or eliminating the privilege of importing or exporting, and restricting or eliminating the possibility of selling to the government. The penalties are made more severe if there is a lack of awareness of the regulations or if there are intentional violations of the regulations. Accordingly, all directors, employees, agents and representatives whose job affects or involves imports and exports must seek training in order to understand and comply with these regulations. Sales, purchasing and shipping are jobs that obviously involve imports and exports. Many other roles touch on export-related issues, even if not obvious from the job title. For example, export controls apply to information data transfers to fellow VAC employees or sales to certain foreign nationals, sanctioned persons, or entities, even if within the same country that the activities originate.

VAC's Conflict Minerals policy should also be referenced to ensure compliance with related requirements. Questions related to compliance should be directed to your local export or import administrator or to VAC's Legal Department.

Trading in Securities with Material, Nonpublic Information

The securities laws generally make it unlawful, both civilly and criminally, for any person to buy, sell or trade securities of a publicly traded company while in possession of material, nonpublic information regarding such company, or to disclose such information to others who buy, sell or trade such securities. In general, a security is any investment interest, such as an investment contract, a bond, stock or option, which is publicly traded such as on a stock exchange. No director, officer or employee of the Company, or their agent or advisor, may buy or sell securities of a publicly traded company based on material, non-public information of any customers or suppliers obtained in connection with employment with or affiliation with VAC. You should refer to the VAC Legal Department, for further information and requirements related to the buying or selling of stock of any such public company.

Corrupt Practices/Bribery

The laws of the Germany, the United States, the UK and many other countries where VAC engages in business prohibit companies, their directors, employees, agents and representatives from offering, promising or authorizing payment of any money or anything of value to any person in order to gain an improper business advantage. This extends to customers, suppliers and other business partners and to government officials, political parties or officials of political parties or candidates for political office.

For example, the Foreign Corrupt Practices Act in the United States prohibits the paying or offering to pay money, or the giving of anything of value to any official of a foreign government for the purpose of obtaining or retaining business, improperly influencing decisions, or securing an improper business advantage. More comprehensive is the UK Bribery Act which prohibits the offering or paying of money, or the giving of anything of value to any person (not just to government officials) if such payment is intended to cause any person in a position of trust or responsibility to act improperly. Payments facilitating these

activities by others are also prohibited. Similar laws are in place in Germany and many other countries where VAC operates.

VAC requires full compliance with all anti-corruption laws. Bribes, kickbacks or any other form of improper payment to any individual or person for the purpose of obtaining business or business concessions are strictly prohibited. Accordingly, except as expressly permitted by Company policy, directors, employees, agents and representatives are prohibited from giving or offering any benefits of any kind, whether of money, services, property or any other item of value, to any director, employee, officer, agent or representative of any private or public organization, or to or from any other person with whom VAC has a current or potential business relationship. Directors, employees, agents and representatives are also prohibited from accepting such benefits from any person with whom VAC has a current or potential business relationship, except as expressly permitted by the CEO.

VAC has adopted Anti-Corruption, Payments to Government Officials, Engagement of Third Party Agents and Other Representatives, and Gift and Entertainment Policies which all directors, employees, agents and representatives must observe.

If you have any questions or concerns regarding compliance with anti-corruption laws you should contact the VAC Legal Department. If you become aware of any anti-corruption violation or potential violation of these policies or the anti-corruption laws, you should immediately notify the VAC Legal Department. If you wish to report a suspected violation anonymously you may do so through the SpeakUp system, a hotline and online reporting tool. The details of the SpeakUp system including its access data are included below.

Political Contributions

Generally, the laws of the countries in which we operate prohibit corporations from making contributions or expenditures in connection with any election for political office. These laws also prohibit corporations from financially supporting political candidates. Political contributions include direct or indirect payments, advances, gifts of goods or services, subscriptions, memberships, purchase of tickets for fund raisers and purchase of advertising space. No director, employee, agent and representative shall make any political contribution or other expenditure to any political organization or candidate for political office on behalf of or for the benefit of VAC.

Directors, employees, agents and representatives may make personal political contributions to any organization or candidate for political office so long as they do not represent that such contribution is from VAC. Any personal political contributions shall be the sole responsibility of the director, employee, agent and representative, and VAC will not assume or accept any responsibility for such contributions. No director, employee, agent and representative will make any personal political contribution with the purpose of assisting VAC in obtaining or retaining business, or with the purpose of influencing any act or decision of any government official or agency for VAC's benefit. VAC's assets, properties or services, including VAC's letterhead and stationery, will not be used to facilitate personal political contributions.

F. FINANCIAL REPORTING INTEGRITY and COMPANY ASSETS

Accounting Records and Controls

Accurate and complete business records are essential to the management of the Company and to maintaining and safeguarding investor confidence. Accurate and complete business records also are necessary in order for VAC to fulfill its legal obligations to provide complete, fair, timely, accurate and understandable financial and other disclosure to shareholders, the public and governmental agencies. All of VAC's books, records and accounts must completely, accurately and fairly reflect VAC's assets, liabilities and transactions.

VAC's directors, employees, agents and representatives have the responsibility to ensure that all books, records, and accounts under his/her control are complete, properly supported, auditable and accurately reflect VAC's transactions, both internally and externally. All vouchers, bills, invoices and other business records (including personnel time cards, and travel and entertainment expense reports) shall be prepared with care, accuracy and complete candor. False or misleading entries in any accounting or other business records for any reason whatsoever are prohibited. No undisclosed or unrecorded funds or assets shall be permitted for any reason whatsoever. No payment shall be made with the intent or understanding that such payment or any part of it is to be used for purposes other than those described in the supporting documents. Directors, employees, agents and representatives are required to cooperate fully and candidly with both internal and external auditors. Making false statements or otherwise misleading internal or external auditors, VAC's counsel or advisors, or any private or public regulatory agency is strictly prohibited.

Intellectual Property – Confidential Information

All VAC information (whether written, unwritten, in computer-generated form or on computer tape or disks, or contained in or on any other media) is the property of VAC. Information that is not in the public domain is considered confidential or proprietary. This information is a valuable asset to VAC and must be protected from loss, misappropriation and unauthorized disclosure or use. No director, employee, agent or representative shall make any unauthorized disclosure or use of any VAC confidential or proprietary information. When documents containing VAC's confidential or proprietary information are no longer required, they will be destroyed in accordance with VAC's Record Retention Policy.

It is sometimes necessary to disclose VAC's Confidential Information to potential suppliers, consultants or other third parties in order for them to provide services or products to VAC. Before any such disclosure of VAC's Confidential Information, the third party must sign a Confidentiality and Non-Disclosure Agreement in accordance with VAC's Non-Disclosure Agreement policy. Please contact a member of the VAC Legal Department prior to disclosing any VAC Confidential Information.

Examples of possible VAC's confidential and/or proprietary information include, but are not limited to: operating results and other financial information which VAC has not publicly disclosed; board room deliberations and discussions, strategic plans; operating plans and budgets; product development, marketing plans and strategies; information relating to VAC's partners, customers, vendors, distributors or agents; methods and procedures of doing business; pricing schedules; contract terms and conditions; know how, ideas and inventions, technical information and product formulations, specifications and processes; and personnel records.

Intellectual Property of Others

We also have a responsibility to not misappropriate the proprietary rights of others. For example, employees must not use or disclose any confidential information of any of their former employers or others in connection with their work for VAC unless authorized by the owner of the confidential information. Copyrighted materials, including books, articles, computer software programs, video and video tapes, should not be plagiarized or improperly copied.

Use of VAC's Assets

VAC's assets and resources are intended for VAC's business use. All directors and employees are responsible for safeguarding the assets (tangible and intangible) and resources of VAC that are under their supervision and control. Assets include cash, confidential and/or proprietary information, company image, goods, inventory, equipment, computers, telecommunications equipment and services, supplies, and the services of VAC's directors and employees. These assets and resources are to be used solely for legal and proper purposes. The use of VAC's assets for improper, illegal or non-VAC purposes, including the use by any director, employee, agent or representative for his or her personal benefit not expressly permitted by Company policy is prohibited. The contributions a director or employee makes to the development and use of VAC products, equipment, marketing and sales research, materials and services while employed by VAC become VAC's property, subject to local law. These contributions remain VAC property if and when the director's or employee's employment with VAC terminates.

Electronic Communications

VAC's electronic assets, including computers, telephones, cell phones, fax machines and copy machines, are meant to be used for company business. The information stored, transmitted or processed on these assets also belongs to VAC. You should never view, store, send or download pornographic, sexually explicit images or messages; materials that promote violence, hatred or terrorism; or any other message that could be viewed as offensive or harassment. If obscene material is found on any Company electronic asset or on premises, disciplinary action will be taken and local authorities may be notified. Employees acknowledge that the results of their use of VAC's computer, telephone, internet, Company provided cell phones and electronic mail is the property of VAC and as such, employees should not have an expectation of privacy with respect to the use of these Company provided systems and tools unless the private use is expressly permitted by Company policy and subject to local law. VAC complies in all respects with mandatory data protection law.

G. REPORTING/DISCLOSURES

Any director, employee, agent or representative who reasonably believes or suspects that the Company or any director, employee, agent or representative has or is engaging in improper or illegal activities, fraud, activities which appear to be inconsistent with or in violation of this Code of Conduct or any other policy, procedure or issued guideline of VAC, or applicable law or regulation is responsible for reporting such conduct or activities to his/her supervisor, his/her local Compliance Officer, the VAC Legal Department or the VAC Human Resources Department. VAC Group has appointed local Compliance Officers at Shenyang/China, Pekan/Malaysia, Horna Streda/Slovakia, Neorem/Finland and VAC Magnetics LLC/USA.

If you are in doubt regarding any conduct or activities, you are urged to raise your concern with any of the persons mentioned above. This allows us the opportunity to investigate and address potential problems since non-compliance can result in serious consequences to VAC, its directors, employees, agents, representatives, customers and other stakeholders. Alternatively, you may report such activities anonymously through the SpeakUp system by either calling one of the telephone numbers or using the SpeakUp webaccess on the Internet as shown in the attached SpeakUp Policy. You are not required to leave your name. Anonymous reports will receive a full inquiry. VAC's Retention and Treatment of Complaints policy includes further details in this regard.

You may also communicate with the CEO and CCO of VAC Group:

Chief Executive Officer (CEO): Dr. Erik Eschen, +49 6181 38-1548
erik.eschen@vacuumchmelze.com

Chief Compliance Officer (CCO): Dr. Gebhard Keuffel, +49 6181 38-2956
gebhard.keuffel@vacuumschmelze.com

It is important that you feel secure when reporting potential improper or illegal activities or conduct under this Code of Conduct. Confidentiality is a priority to VAC whether the activities are reported to VAC directors, employees or via SpeakUp. VAC will make every effort to keep the reporting employee's identity confidential and maintains a SpeakUp Policy as attached hereto.

H. DISCIPLINARY ACTION AND VIOLATIONS OF LAW

Violations of VAC Code of Conduct or any other policy, procedure or issued guideline of VAC or with the laws, rules and regulations applicable to VAC's business, could subject a director, employee, agent or representative to corrective disciplinary action up to and including termination of employment. In addition, violations of the laws, rules and regulations applicable to VAC could subject a director, employee, agent or representative to individual civil or criminal prosecution, with accompanying potential damages, fines and imprisonment.

I. ADMINISTRATION

The Chief Compliance Officer has the overall responsibility for administering the Code of Conduct with a direct report to the CEO. In addition, each business unit and corporate department is responsible for coordinating local administration of this Code with local Compliance Officers to be appointed as advised by the Chief Compliance Officer.