

ASSOCIATION FOR MATERIALS PROTECTION AND PERFORMANCE ANTI-CORRUPTION COMPLIANCE POLICY

I. Overview

The U.S. Foreign Corrupt Practices Act (“FCPA”)¹ generally prohibits the Association for Materials Protection and Performance (“AMPP” or “the Association”) and its employees, consultants, agents and intermediaries from directly or indirectly offering, paying, or promising to pay anything of value to any foreign (non-U.S.) official² for the purpose of influencing an official act or decision to obtain or retain business for the Association.

Put simply, this means that Association personnel, or third parties acting on behalf of the Association, may not pay bribes or offer anything of value to government officials to get or keep business.

FCPA prohibitions extend to situations where the Association has knowledge of or approves a payment made by an agent, consultant, distributor, or other intermediary on the Association’s behalf. The FCPA is administered and enforced by U.S. Department of Justice and the U.S. Securities and Exchange Commission (“SEC”), and is intended to prevent international corruption and improper influence on foreign government decision making processes.

II. FCPA

As indicated, the FCPA broadly applies to the actions of U.S. individuals and entities, including representatives and agents. *See Section (a) (Scope)*. The FCPA’s prohibitions cover two kinds of activity. First, the FCPA prohibits payment of anything of value to foreign officials for the purposes of obtaining or retaining business. *See Section (b) (Anti-Bribery Provisions)*. As such, every Association employee and third-party representative must be extremely careful about giving anything of value to foreign officials, as such prohibitions extend to spending on gifts or other hospitality and promotional expenditures, offering internships, donations to charity on an official’s behalf, or offering other items of value in exchange for a

¹ Codified at 15 U.S.C. §§ 78dd-1 to 78ff.

² This includes members of legislatures, political parties or their members, government employees who have influence or control over government decisions, candidates for political office, members or friends of royal families, and many state-owned enterprise employees.

preferential decision by that official. The Association's policy on gift-giving as well as hospitality and promotional expenditures is described below in **subsection (ii) to section (b)**.

Second, for “issuers”³ only, the FCPA prohibits inaccurate business recordkeeping and accounting. Although the Association is not an “issuer” under the FCPA, it is a best practice to comply with the recordkeeping and accounting requirements as a method to help avoid violations of the anti-bribery provision. *See* **Section (c) (Recordkeeping and Accounting Requirements)**. Limited exceptions and defenses may apply, *see* **Section (d) (Exceptions and Defenses)**.

(a) Scope

The FCPA applies to U.S. individuals and entities. The FCPA's provisions have extraterritorial reach, meaning that U.S. entities can be held liable for the actions of their employees even if those actions take place outside of the United States. Acts occurring outside of the United States by U.S. nationals serving as officers or employees of foreign entities, or as agents of U.S. entities, are subject to the FCPA if such acts are taken in furtherance of unlawful payments, regardless of whether there is a nexus with interstate commerce.

When dealing with foreign affiliates or with other agents, consultants, or representatives, AMPP employees must be aware of “red flags” indicating potential violations of the FCPA's requirements. Where such red flags are identified, sufficient due diligence must follow to determine whether these contacts are involved in inappropriate activities that could be attributed to AMPP. Such due diligence steps include investigating relationships between agents and foreign government officials, and ensuring that contracts and other agreements that AMPP enters into with foreign agents who will act on the Company's behalf include language prohibiting the agents from engaging in activities that would violate the FCPA.

(b) Anti-Bribery Provisions

(i) Legal Restrictions

³ An “issuer” is any company whose securities are listed in the United States.

The FCPA makes it illegal for any U.S. person or entity, whether publicly or privately held, to bribe or attempt to bribe any foreign official, political party, or party official for the purpose of obtaining, retaining, or directing business. Again, “payments” are not limited in scope to the payment of a money bribe. The FCPA covers the transfer of “anything of value” (such as gifts, travel expenses, entertainment, and free meals) that is provided to a foreign official. The term “foreign official” has been defined broadly in FCPA enforcement cases and includes (but is not limited to) government, political party, and public international organization officials, candidates for public office, and anyone directly or indirectly employed by or acting on behalf of any of these people. Employees of corporations that are wholly- or partially-owned by a foreign government must also be treated like foreign officials. The FCPA covers actual payments, promises to pay, and authorizations of payments. Thus, if an individual authorizes the payment of a bribe, a violation of the FCPA has occurred whether the bribe is actually paid or not.

The key issue in determining culpability under the FCPA is the presence of a corrupt intent, *i.e.*, whether an item of value was given in an attempt to influence a discretionary decision by a government official to give or help the company obtain, retain, or direct business. Such payments are illegal even if they are made indirectly to the foreign official through a representative, consultant, or agent, if an entity knows the transfer is made for an improper purpose, believes there is a high probability that illegal conduct will result, or consciously disregards a situation that would alert a reasonable person to a high probability that illegal conduct will occur. In other words, it is not permissible to turn a blind eye to activity that personnel know or should know is wrong.

(ii) Policy on Gifts, Hospitality, and Promotional Expenditures

All employees must be extremely careful about giving gifts or making payments to any non-Association person in the course of Association business, especially in the form of hospitality and promotional expenses such as meals, travel, and lodging.

Under the FCPA, certain “reasonable and bona-fide expenditures,” like travel and lodging expenses for a government official that are directly related to the promotion, demonstration, or explanation of Association services may be permitted. However, hospitality and promotional expenses may rise to the

level of a bribe if there is an intention for a financial or other advantage to influence a foreign official in his or her official role.

In most cases, this determination will depend on circumstances such as the type and level of advantage offered, the manner and form in which the advantage is provided, and the level of influence the particular official has in awarding business. Note that the more lavish the hospitality or higher the expenditure, the greater the inference that it is intended to influence the other person. The standards or norms of a locality or business sector will also affect this analysis. Given this complex background, it is important to seek guidance from legal counsel whenever you have a question or concern about this policy to ensure continued compliance with these rules as appropriate.

RULE: All gifts, payments, and expenses (including those related to entertainment, travel, lodging, and meals) to all third parties (whether to a government official or to non-government personnel), must meet the following conditions:

- Must be reasonable and appropriate;
- No quid pro quos (e.g., Person A cannot offer a gift to Person B in return for a business advantage);
- Must be for legitimate business purposes;
- Must comply with local laws;
- No cash or equivalent payments;
- No payments or gifts to family, spouses, or friends of recipient;
- Must not create the appearance of impropriety or be reasonably interpreted as a bribe (e.g., patterns of gift giving); and
- Travel expenses must not involve per diem disbursements or unreasonable non-business side trips.

Pre-approval from the COO is required for any payment, gift, or expense that is (1) of more than nominal value or (2) outside the normal and customary course of the Association's business.

Government Officials

In addition to the rule stated above, **any and all proposed gifts, payments, hospitality, travel, or entertainment expenses related to foreign government officials must be pre-approved by the COO. This includes the hiring of any foreign government officials.** All such payments, expenses, and gifts, must be properly recorded in the normal course of business.

(iii) Charitable Contributions

While charitable contributions that serve a public benefit are encouraged, contribution requests must be examined carefully anytime they originate from a third party, and even more carefully when the request originates from a government official. Employees who are responsible for reviewing charitable contribution requests must satisfy themselves that the contribution is not a disguised way of conferring a personal benefit, and that the contribution is not connected to a purchasing or other decision involving the Association. All recipients of AMPP's charitable contributions must be to properly registered not-for-profit charitable organizations. Contributions may never be made as part of an exchange of favors, even if the recipient organization is a bona fide charity.

(iv) Policy on Doing Business with Third Parties

Before agreeing, on behalf of the Association, to enter into a business relationship (whether an agency, consulting, distributorship, supplier, or other business relationship) with a person, firm, corporation or other entity, particularly one that will act on the Association's behalf in a foreign country (an "Agent"), employees are required to conduct due diligence to determine if there is a risk of an anti-bribery law violation in selecting that Agent.

Personnel responsible for supervising the relationships the Association maintains with Agents are required to ensure that all such third parties are aware of AMPP's policies, and supervise such parties' observance of the policies. Personnel should ensure that agreements with Agents contain proper representations on compliance with the FCPA and that higher risk Agents are reviewed on a regular basis. If at any time you learn or suspect that an Agent has made an improper payment, you must bring that concern to the attention of the COO immediately.

Anti-Bribery “Red Flags”

Throughout the process of conducting due diligence on an Agent, as well as during the period in which the Association maintains a business relationship with an Agent, employees must be on the lookout for so-called “red flags” – a situation indicating the risk of possible non-compliance with the FCPA. If an employee spots a red flag at any time, the employee must contact the COO regarding appropriate next steps. The following is a non-exhaustive list of examples of anti-bribery red-flag situations:

1. An agent representing AMPP states that a certain amount of money is necessary to “get or keep the business,” or “make arrangements”;
2. A history of corruption in a foreign country;
3. Due diligence indicates a history of past allegations or questionable activities by the third party;
4. Unusual payment patterns or requested financial arrangements (e.g., making unusual requests, payment by indirect or unusual means, payment to third persons, etc.);
5. Proposed agreements with individuals or entities with ties to foreign government officials;
6. Refusal by prospective foreign partner, agent, or representative to provide a standard certification that it will not make improper payments or take any action that would subject a U.S. entity to FCPA liability;
7. Foreign partner or representative was recommended by foreign government official;
8. Unusually high commission, fees, or discount requests;
9. Requests for abnormal cash or equivalent payments;
10. Requests for gifts or payments to friends or family of a third party, foreign government official, or business partner;
11. Proposed contributions to charities;
12. Inadequate documentation for a payment request;

(c) Recordkeeping and Accounting Requirements

The FCPA establishes reporting and accounting requirements for issuers. Although not applicable to AMPP, AMPP nevertheless follows the recordkeeping requirements as a best practice. AMPP employees are therefore required to do the following under this Policy:

- Keep accurate records reflecting Association transactions and the disposition of the AMPP's assets; and
- Create and maintain internal accounting controls providing reasonable assurance that:
 - all transactions take place with the management's authorization;
 - transactions are recorded to allow the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and to maintain accountability for assets;
 - access to assets occurs only in line with management authorization; and
 - comparisons of records and actual assets are done at reasonable intervals and the proper response is taken regarding any differences that are discovered.

In essence, AMPP has instituted and will continue to institute reasonable recordkeeping and accounting practices in order to ensure that Association assets are not used for illegal activities, such as the payment of bribes to foreign officials.

(d) Exceptions and Defenses

There are a limited number of exceptions and defenses to the FCPA's requirements. They are discussed here for information purposes only. First, a limited exception to the FCPA's general rules exists with respect to certain small facilitation payments or gifts, also known as "grease" payments. The exception applies only to payments made to low-level government functionaries or clerks in return for their performance of certain ministerial tasks that they are generally obligated to perform in any case (e.g., installing a telephone).

Second, certain small promotional items or other modest courtesy gifts presented at personal meetings with foreign officials in recognition of hospitality or as a token of regard may also be permissible in certain circumstances. Finally, payments may fall within an FCPA exception if AMPP is able to

demonstrate either that a payment or gift made was lawful under the written laws of the foreign official's country or that certain services (such as travel expenses) paid for on behalf of a foreign official were reasonable expenditures directly related to product promotional activity.

Judgments, however, about whether an exception or defense might justify a payment are to be made only by the COO.

(e) Training

Personnel shall receive periodic training covering anti-corruption laws and the policies and procedures as set forth in this Policy, on a schedule to be determined by AMPP. Personnel shall also be required to certify their receipt and understanding of this Policy

Any questions regarding this Policy should be directed to the COO.