

# THE MASONITE VALUES OPERATING GUIDE

## CHAIRMAN & CEO MESSAGES

### ***THE MASONITE BLUEPRINT***

*The Masonite Blueprint enables everyone to come together around common values, goals and objectives. Everyone at Masonite has a role to play and makes a difference. Masonite is committed to creating a culture defined by fairness, dignity and respect, unparalleled teamwork and personal responsibility, and a passion for exceeding expectations.*

*Robert J. Byrne, Chairman*

### ***LIVING THE BLUEPRINT***

*Our Values, the bedrock of Masonite, represent the behaviors that we expect from all Employees: Integrity, Customer Commitment, Continuous Improvement, Innovation, Teamwork & Accountability, and Leadership. At Masonite, living our Values means more than just obeying laws and regulations. It means applying the highest standard of ethics to every interaction whether between Employees, customers, vendors, regulators, or others. Through ongoing teamwork and open and forthright communications, we create a sustainable culture that every Masonite Employee can be proud to share. This Masonite Values Operating Guide is our roadmap to success!*

*Frederick J. Lynch, President & CEO*

Masonite was founded in 1925, and from that time forward, our Employees have strived diligently to uphold the highest ethical standards of business conduct. We do more than merely obey the letter of the law – we embrace the Masonite Values... our Blueprint for Integrity.

The Masonite Guide is the “Bricks and Mortar” of our Integrity Commitment. The Guide follows the Blueprint and articulates general principles of conduct which apply everywhere, every day, and to every Masonite Employee and guides us in our relationships with customers, vendors, contractors, and others. Every Employee at Masonite has the power to influence our Company’s reputation – no matter what our role in the Company may be – everywhere we do business. The Masonite Guide helps each of us to make sure that we conduct our affairs with an uncompromising commitment to Integrity.

# THE MASONITE GUIDE TO LIVING OUR VALUES:

Obey the applicable laws and regulations governing our business conduct worldwide.

The Masonite Values Operating Guide embodies its Blueprint for Integrity. It is intended to be a code of conduct and an enterprise level human rights policy that enables Masonite to meet its values, its mission and its vision. This Guide sets forth eleven key policy areas; and for each policy it explains how to comply with the policy, and warns us about things to watch for that might require additional thought or legal guidance about that policy.

## Our Individual Commitment

Each one of us must acknowledge and confirm our awareness that every Masonite Employee must follow The Masonite Values Guide policies and proactively raise concerns about possible violations of law or policy with a Masonite manager, Company legal counsel, human resources representative, or other Masonite compliance specialist. For a digital version of the Masonite Guide, visit the Masonite Ethics Portal at: [www.frontdoor.com](http://www.frontdoor.com).

## Who must live by the Masonite Values?

ALL MASONITE EMPLOYEES  
(whether full-time, part-time or contract Employees).

MASONITE DIRECTORS AND OFFICERS.

SUBSIDIARIES AND CONTROLLED AFFILIATE entities in which Masonite owns more than 50 percent of the voting rights, or has the right to control the entity, are required to adopt and follow Masonite compliance policies.

NON-CONTROLLED AFFILIATES should be encouraged to adopt and follow Masonite compliance policies.

THIRD PARTIES REPRESENTING MASONITE or Masonite Employees working with third parties, such as consultants, agents, sale representatives, distributors and independent contractors.

We must:

- Ensure that these parties comply with relevant aspects of Masonite's compliance policies
- If necessary, provide these parties with education and information about policy requirements
- Take action, up to and including terminating a contract, if a third party refuses to abide by Masonite's relevant compliance policies

# What Masonite Employees must do

As stakeholders, we must all contribute to Masonite's culture of compliance by thoroughly understanding Masonite's policies, subscribing to Masonite's commitment to Integrity, acting to raise compliance issues, enforce compliance policies, and avoid violations.

Your duties as a Masonite Employee are to:

## UNDERSTAND MASONITE POLICIES AND PRACTICES

- Review and understand all of the policy requirements summarized in this guide
- Especially focus on and learn the details of policies relevant to your job
- Check [www.frontdoor.com](http://www.frontdoor.com) for a complete and current list of policies and practices
- Go to your manager, Company legal counsel, HR representative, or other appropriate Masonite resources with any questions or suggestions for improvements in the effectiveness, implementation and development of this policy
- Complete the periodic ethics training courses related to this policy

## RAISE YOUR CONCERNS

Promptly raise any concerns about potential violations:

- Understand the different channels for raising Integrity concerns: your manager, Masonite's Legal Department, the Human Resources Department, the Masonite compliance helpline for your country, or other compliance resource
- If a concern you raise is not resolved, pursue the issue! Raise it through another of Masonite's channels
- Cooperate in Masonite investigations related to Integrity concerns

# What Masonite Managers and Leaders must do

Our managers at every level, from the plant floor to the executive suite, are our Masonite Leaders. As Masonite Leaders, we must foster a culture of compliance in which Employees understand their responsibilities and that business results are never more important than ethical conduct and compliance with Masonite policies. Employees must know that they are always able to raise any concern without fear of retaliation. Leaders must encourage ethical conduct and compliance with the law by personally leading compliance efforts, considering compliance efforts when evaluating and rewarding Employees and ensuring that Employees understand the specific requirements of those policies that most directly impact and affect their scope of work.

Leaders must also take the following steps to build a culture of compliance:

## PREVENT COMPLIANCE FAILURES

- Identify business compliance risks
- Ensure that processes, customized to address your particular risk areas, are communicated and implemented
- Provide education on Masonite policies and applicable law to Employees and (where appropriate) Board members and third parties
- Commit adequate resources to your business division's compliance program

## PROACTIVE DETECTION OF COMPLIANCE ISSUES

- Implement control measures, such as “dashboards” and “scorecards,” to detect heightened compliance risks and/or violations
- Promote an effective reporting system
- Ensure that periodic compliance reviews are conducted with the assistance of business compliance leaders

## RESPOND IMMEDIATELY TO COMPLIANCE ISSUES

- Take prompt corrective action to determine what additional actions may be required
- Take appropriate disciplinary action
- Consult with the Masonite Legal Department to determine what additional actions may be required

## Raise Your Voice...Take Advantage of our Open Door Policy

Raising Integrity concern protects the Masonite community: ourselves, our colleagues, our stakeholders, and our Company. If you have a concern, you have the right and responsibility to raise it. In keeping with our Blueprint, the Guide is designed to benefit all our stakeholders, our customers, our vendors, our Employees and our shareholders.

### RAISE CONCERNS EARLY

Promptly raising and addressing a potential concern is the most important obligation you have.

### YOU MAY REMAIN ANONYMOUS

However, if you identify yourself, we are able to follow up with you and provide feedback.

### CONFIDENTIALITY IS RESPECTED

Your identity and the information you provide will be shared only on a “need-to-know” basis with those responsible for resolving the concern.

### RETALIATION VIOLATES MASONITE POLICY

Masonite absolutely prohibits retaliation against anyone for raising or helping to address an Integrity concern. Retaliation is grounds for discipline up to and including dismissal.

You may raise a concern orally or in writing. If you wish, you can do so anonymously by calling the Ethics Helpline number or by sending an email.

It is your right... and your obligation to raise Integrity concerns.

## How to raise an Integrity concern

Masonite offers several channels for raising concerns. What channel you use is up to you. The most important thing is to bring the issue or concern to Management's attention immediately. Here is how:

### **WITHIN YOUR BUSINESS UNIT**

Generally, your supervisor or manager will be in the best position to promptly resolve an Integrity concern. However, your direct supervisor or general manager is not your only option. You may also contact another member of management, call the Ethics Helpline, or send an email.

### **CALL MASONITE ETHICS HELPLINE:**

In the U.S. and Canada call 888-504-4200.

Internationally call (001) + 813-739-4055.

When you call, please provide your name and contact information so that the Ethics and Compliance Team can follow-up with you. If you prefer, however, you may make a report anonymously. We would rather you report anonymously than keep the information to yourself.

### **REPORT YOUR CONCERN ON THE WEBSITE: [WWW.INTEGRITYCOUNTS.CA/ORG/MASONITE](http://WWW.INTEGRITYCOUNTS.CA/ORG/MASONITE)**

If it is more convenient for you to raise an ethical concern on line, you may do so by going to web address <https://www.integritycourts.ca/ord/Masonite>, Masonite's ethics portal administered by an independent third party.

### **SEND AN EMAIL TO: [MASONITE@INTEGRITYCOUNTS.CA](mailto:MASONITE@INTEGRITYCOUNTS.CA)**

Also, you may raise an ethical concern by sending an email to [Masonite@integrityconts.ca](mailto:Masonite@integrityconts.ca)

## WRITE MASONITE BOARD OF DIRECTORS

In very serious situations, you may report concerns (i.e., internal accounting & reporting issues, potential conflicts of interests, potential legal issues, etc.), directly to the Board of Directors.

Masonite Board of Directors  
One Tampa City Center, Suite 300  
201 N. Franklin Street  
Tampa, Florida 33602

It is a Masonite tradition to speak up, ask questions and get answers. It is your obligation to follow the Guide and if your concern is not addressed, raise it through another channel.

## What happens when an Integrity concern is raised

Concerns about compliance with Masonite policy will be promptly investigated. Masonite's investigation process includes:

1. ASSIGNING THE INVESTIGATOR(S)  
Investigators with expertise and objectivity are assigned to investigate all the facts and circumstances in a thorough and fair way.
2. CONDUCTING AN INVESTIGATION  
The investigators determine the facts through interviews and/or review of documents.
3. CORRECTIVE ACTION  
If necessary, the investigator recommends corrective actions to the appropriate managers for implementation.
4. FEEDBACK  
The person raising the issue (if known) receives feedback on the outcome if they provide a name and contact number, or follow the process of the Masonite Ethics Helpline.

# Consequences of violations

Employees and Leaders who violate The Masonite values, policies or practices, may face serious consequences: Disciplinary action up to and including termination of employment. Misconduct that may result in discipline include:

- Violating Masonite policy or the law
- Requesting others to violate Masonite policy
- Failure to promptly raise a known or suspected violation of Masonite policy
- Failure to cooperate in Masonite investigations of possible policy violations
- Retaliation against anyone for reporting an Integrity concern or possible policy violation
- Failure to demonstrate leadership and diligence to ensure compliance with Masonite policies and the law

# Business unit policies and procedures

Your business unit division or group, and/or your business function, may, after consultation with the appropriate Senior Management and the Legal Department, issue its own specific policies and procedures based on its unique requirements. You must follow those policies and procedures in addition to those described in this guide.

# In conclusion

Together, we all create a culture of compliance... it is our right and our responsibility to live and work with Integrity. This is how we “live” the Masonite Blueprint.

And always remember... Masonite absolutely prohibits retaliation.

**IMPORTANT NOTICE: This Guide, and the policies described in it, is not a contract or quasi-contract, whether for Employees or for third parties. Masonite does not create any rights in contract, law or equity by issuing this Guide or the policies.**



# **The Masonite Guide**

## **Policies**

# Table of Contents

1. Bribes & Improper Payments .....	11
2. Supplier Relationships .....	13
3. Antitrust & Global Competition.....	15
4. Non-Discrimination & Fair Employment Practices .....	18
5. Environment, Health & Safety .....	20
6. Security & Crisis Management.....	22
7. Protecting Intellectual Property .....	24
8. Sarbane Oxley Act (SOX) Compliance & Controllershship.....	26
9. Conflicts of Interest .....	28
10. Insider Trading & Stock Tipping.....	30
11. International Policies... ..	32
11.1 Compliance Policy - International Operations .....	32
11.2 Export Controls - Products and Technology .....	35
11.3 Foreign Assets Controls.....	38
11.4 Global Labor and Employment .....	40
11.5 Importing and Customs.....	42
11.6 Foreign Corrupt Practices Act .....	46

# **1. Bribes & Improper Payments**

## **I. OVERVIEW**

A bribe or any form of improper payment to gain a business or personal advantage is never acceptable. In fact, it could subject you individually, and Masonite as a Company, to criminal prosecution.

Masonite expressly prohibits bribes and improper payments of any kind in all business dealings, in every country around the world, both to governments or government Employees and to any person in the private sector.

Improper payments should not be confused with reasonable and limited expenditures for gifts, business entertainment and customer travel and living expenses directly related to the promotion of products or services or the execution of a contract. These payments are acceptable, subject to specific Masonite corporate and business guidelines.

## **II. OUR POLICY**

- Do not offer or give bribes or kickbacks or improper payments of any kind
- Do use good judgment to avoid even the appearance of an improper payment
- Do hire only reputable firms and representatives
- Do not contribute on Masonite's behalf to political parties or candidates

### III. HOW TO COMPLY

**BEFORE GIVING A GIFT**, engaging in customer entertainment or reimbursing customer travel expenses, make sure you understand applicable legal requirements, the customer's own rules and Masonite corporate and business guidelines.

**MAKE SURE EXPENDITURE RECORDS** accurately reflect the true nature of the transaction.

**NEVER OFFER A BUSINESS COURTESY**, such as a gift, contribution or entertainment, under circumstances that might create the appearance of an impropriety.

**NEVER OFFER, PROMISE, PAY OR AUTHORIZE** anything of value (such as money, goods or services) to a government official or Employee of a customer to obtain or retain an improper advantage.

**NEVER GIVE A GRATUITY** or other payment to government officials or Employees to expedite a routine administrative action without fully disclosing it to the Masonite Legal Department. Some national laws that prohibit bribery outside that nation include an exception for "facilitating payments" to expedite a routine administrative action to which a person is otherwise entitled. These payments are often illegal under local anti-bribery laws, and Masonite strongly discourages them. Make sure you understand the difference between a bribe – corruptly giving someone else a thing of value in exchange for exercising discretion in your favor – and a facilitating payment, which involves the payment of a small amount of money or a gift to expedite a routine action to which you are entitled. If you have any questions, consult the Legal Department.

**NEVER CONTRIBUTE COMPANY FUNDS** or other Company assets for political purposes in the United States without the prior approval of Masonite's Legal Department. Never contribute Company funds or other Company assets for political purposes outside the United States without the approval of Masonite's Legal Department.

**REQUIRE ANY PERSON OR FIRM REPRESENTING MASONITE** (such as a consultant, agent, sales representative, distributor or contractor) to comply with this policy and related laws.

**FOLLOW YOUR BUSINESS DIVISION'S DUE DILIGENCE PROCEDURES** when selecting persons or firms to represent Masonite.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

**BACKGROUND INFORMATION** about existing or potential third-party representatives that indicate:

- Allegations of improper business practices
- Reputation for bribes
- Family or other relationship that could improperly influence the decision of a customer or government official

**ANY DEMAND** to receive a commission payment before the announcement of an award decision.

**ANY SUGGESTION TO DIRECT MASONITE BUSINESS** through a specific representative or partner due to a "special relationship."

**ANY REQUEST** to make a payment in a country or to a name not related to the transaction.

**A COMMISSION OR ANY OTHER PAYMENT** that is disproportionate to the services provided.

## 2. Supplier Relationships

### I. OVERVIEW

Masonite’s relationships with suppliers are based on fair and lawful practices. We expect our suppliers to obey the laws that require them to treat workers fairly, provide a safe and healthy work environment and protect environmental quality. The following Masonite guidelines help us make sure that our supplier relationships will not damage Masonite’s reputation.

### II. OUR POLICY

- Do be fair and lawful in all supplier relationships
- Do enlist supplier support in achieving competitive success
- Do respect the intellectual property rights and legitimate business confidentiality expectations of suppliers
- Do screen and only deal with suppliers that comply with applicable local law and any additional Masonite requirements and standards regarding employment practices, environment, health and safety

### III. HOW TO COMPLY

COMPLY WITH APPLICABLE LAWS and government regulations covering supplier relationships.

DO BUSINESS only with suppliers that comply with local and other applicable legal requirements and Masonite guidelines relating to labor, the environment, health and safety.

FOLLOW GOVERNMENT ACQUISITION REGULATIONS when purchasing materials and services for fulfilling government contracts.

PROVIDE A COMPETITIVE OPPORTUNITY for all suppliers to earn a share of Masonite’s purchasing volume.

SAFEGUARD MASONITE’S CONFIDENTIAL AND PROPRIETARY INFORMATION with a confidentiality agreement, and take reasonable measures to safeguard any supplier-provided information protected by any confidentiality agreement.

SAFEGUARD “PERSONAL DATA” obtained from suppliers.

#### **IV. CAUTIONARY POINTS – THINGS TO WATCH FOR**

CHOOSING SUPPLIERS on any basis other than open, competitive bidding.

POTENTIAL CONFLICTS OF INTEREST in supplier selection, such as accepting improper gifts or other items of value.

DIRECTING BUSINESS TO A SUPPLIER owned or managed by a relative, close friend or former colleague.

UNSAFE CONDITIONS in supplier facilities.

SUPPLIER EMPLOYEES who appear to be underage or subject to coercion.

APPARENT DISREGARD of environmental standards in supplier facilities.

ENTRUSTING “PERSONAL DATA” or confidential information to suppliers without ensuring that they have appropriate technical, physical, and organizational measures to prevent unauthorized access or use.

### 3. Antitrust & Global Competition

#### I. OVERVIEW

Fair trade and competition laws – often referred to as “antitrust laws” – vary from county to country and, in some cases, even within a single country depending on the jurisdiction.

As a general rule, these laws:

- Prohibit agreements or understandings between competitors that undermine competition;
- Regulate the behavior of dominant companies; and
- Require prior review and in some instances clearance for mergers, acquisitions and certain other transactions, in order to prevent transactions that would substantially reduce competition.

Every country where Masonite does business has some form of fair trade, competition, or antitrust law. Thus, you should be fully familiar with Masonite’s Antitrust Policy as it applies to where you do business. If you have any doubt about whether a practice is legal or permitted under Masonite’s policies, you should contact the Legal Department immediately.

#### II. OUR POLICY

- **Never** enter into an agreement or an understanding with a competitor, or a group of competitors, about any aspect of Masonite’s business without the approval of the Legal Department. Many, if not most, agreements with a competitor are criminal offenses that can result in large fines and prison terms.
- **Do not ever agree** with a competitor about: (1) Masonite’s prices or terms and conditions of sale; (2) which customers Masonite will or will not sell to, or in what geographic areas it will sell or not sell; or (3) the price that Masonite will bid or offer to a customer or class of customers. These agreements are always illegal, and will result in your immediate dismissal.
- **Never** discuss Masonite’s business with a competitor unless it is under circumstances where Masonite and a competitor are engaged in legitimate business discussions, and such contacts and communications have been **specifically approved** by a Senior Executive and the Legal Department. This includes: (1) prices and price levels and market conditions; (2) our

production, production capacity and sales volume; (3) our costs or profits; or (4) any information concerning our customers or the competitor's customers, including any information relating to distribution channels.

- **Avoid** all contact with competitors whenever possible, particularly at trade shows or in airports. You should politely but firmly explain that Masonite's policy is to avoid competitor contact under all circumstances, and then make certain that you do not discuss any business-related topics whatsoever. You should also then document any contact with the Legal Department by sending a memorandum or email that summarizes the contact.
- **Do Not** enter into any agreements with any of our customers that in any way restrict the customer's ability with respect to how it sells Masonite's products, or at what price, unless you have received written authorization from the Legal Department. In some cases, agreements that restrict a customer's resale practices may be permissible, but the law in this area is complicated and subject to change. As a general rule, Masonite's policy is to allow our customers to conduct their business as they see fit, until and unless Masonite unilaterally decides to stop doing business with a particular customer. Similarly, you should never agree with a supplier or vendor to any terms that restrict Masonite's ability to sell its products unless such an agreement, whether in the form of a contract or otherwise, has been reviewed by the Legal Department.
- **Consult** with the Legal Department well in advance of any product sale or purchase discussions, merger or acquisition, any joint venture or other collaborative activity with a competitor or potential competitor who might be legitimate if structured and disclosed properly.
- **Keep a detailed record** of any setting that involves a competitor, including meetings where you have no discussions whatsoever with the competitor. For example, a trade association meeting where representatives of a competitor may be present, or a meeting called by one of our customers where one of Masonite's competitors might be present at the customer's request.



### III. HOW TO COMPLY

COMPLY WITH ALL APPLICABLE COMPETITION LAWS and regulations as well as competition law decrees, orders and agreements with any competition regulator about how business will be conducted.

REVIEW AND UNDERSTAND both Masonite and business-specific policies and procedures, and if you have questions or issues, bring them up with the Legal Department.

DO NOT PROPOSE OR ENTER INTO agreements or understandings – expressed or implied, formal or informal, written or oral – with any competitor regarding any aspect of the competition between Masonite and the competitor. Do not discuss with a competitor or competitor’s representative:

- prices
- bids

- sales territories, allocation of customers or product lines
- terms or conditions of sale
- production, sales capacity or volume
- costs, profits or profit margins
- market share
- product or service offerings
- customer or supplier classification
- distribution methods

DO NOT PROPOSE OR ENTER INTO agreements with anyone including competitors, agents, brokers or customers, regarding whether to submit a bid or the terms of a bid where there is an understanding that the bid is submitted for any purpose other than winning the business.

AVOID CONTACT with competitors that could create the appearance of improper agreements or understandings.

DO NOT PROPOSE OR ENTER INTO agreements or understandings with customers that restrict the price or other terms at which the customer may resell or lease a product or service to a third party.

DO NOT PROPOSE OR ENTER INTO agreements or understandings with suppliers that restrict the price or other terms at which Masonite may resell or lease any product or service.

CONSULT WITH THE LEGAL DEPARTMENT to help reduce the risk of noncompliance in the evaluation of any proposed merger, acquisition, joint venture or any other business arrangement that could raise competition law issues (examples of arrangements that need to be discussed with counsel are listed in “CAUTIONARY POINTS – THINGS TO WATCH FOR” below).

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

EXCLUSIVE ARRANGEMENTS for the purchase or sale of products or services.

BUNDLING of goods and services.

AGREEMENTS THAT RESTRICT A CUSTOMER’S CHOICES in using or reselling a Masonite product or service.

TECHNOLOGY LICENSING agreements that restrict the freedom of the licensee or licensor.

SELECTIVE OR DISCRIMINATORY DISCOUNTING of price or terms of sale to only certain customers.

DISTRIBUTION ARRANGEMENTS with competitors.

AGREEMENTS TO ADD A MASONITE EMPLOYEE to another entity’s board of directors.

## **4. Non-Discrimination & Fair Employment Practices**

### **I. OVERVIEW**

Fair employment practices do more than keep Masonite in compliance with applicable labor and employment laws. These practices also reinforce our Blueprint values of Integrity and treating all Employees with Fairness, Dignity and Respect. Masonite is committed to complying with all laws pertaining to privacy, collective bargaining, immigration, working time, wages and hours, as well as laws prohibiting forced, compulsory and child labor, and employment discrimination. Beyond legal compliance, Masonite strives to create an environment considerate of the human rights of all employees, suppliers, vendors, and partners, wherever Masonite conducts business.

### **I. OUR POLICY**

- Do observe all applicable labor and employment laws
- Do extend equal treatment to all Employees without regard to race, color, religion, national origin, sex (including pregnancy), sexual orientation, disability, veteran status, age, or other characteristics protected by law
- Do use experience, qualifications, performance and other job-related criteria as the sole basis for employment-related decisions
- Do provide a work environment free of harassment, including harassment directed at a person based on race, color, national origin, ancestry, religion, age, sex, gender identity, gender expression, or sexual orientation.
- Do respect the privacy rights of Employees by using, maintaining and transferring personal data in accordance with applicable laws. While seeking to maintain Employee privacy, remember that Masonite reserves the right to monitor use of Company property (for example, computers, email, phones, proprietary information, etc.) in accordance with applicable laws

### III. HOW TO COMPLY

BASE EMPLOYMENT DECISIONS on job qualifications (e.g. education, prior experience) and merit. Merit includes an individual's skills, performance, values, leadership and other job-related criteria.

MAKE ALL EMPLOYMENT RELATED DECISIONS AND ACTIONS without regard to a person's race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status or other characteristic protected by law.

PROVIDE A WORK ENVIRONMENT free of improper harassment and bullying.

RESPECT THE PRIVACY RIGHTS of Employees by using, maintaining and transferring personal data in accordance with applicable laws.

IF A CONFLICT ARISES between the requirements of this policy and the laws, customs or practices of a particular area, consult with management and the Legal Department to determine how to proceed.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

A HOSTILE WORK ENVIRONMENT (for example, telling inappropriate jokes or displaying materials that ridicule or might be offensive to a particular sex, race, age or ethnic group).

MAKING UNWELCOME SEXUAL ADVANCES to another Employee, supplier or person with whom you work.

VIOLATING A LABOR LAW in your country (for example, hiring a child under the legal minimum age).

REFUSING TO WORK, or otherwise cooperate with, certain individuals because of their race, religion, sex, age or other characteristic protected by law.

DISCLOSING CONFIDENTIAL EMPLOYMENT DATA to a person who does not have the business need, authority or the subject's consent.

TAKING AN ADVERSE ACTION against an Employee (e.g. firing or failing to promote), because the Employee has raised a concern about a violation of policy or law.

## **5. Environment, Health & Safety**

### **I. OVERVIEW**

Protecting the environment and the health and safety of Employees is the law – and Masonite believes it is also the right thing to do. Through management, leadership and Employee commitment, Masonite works to conduct its operations safely and with minimum adverse environmental impact. Moreover, ensuring the safety of our Employees, whether in the plant or the office, is a high priority. Our EHS policy affects all Company activities – not just managing our safety and emissions, but everything we do – for example, selling products, driving a car on Company business, acquiring a new business, or providing customer service.

### **II. OUR POLICY**

- Do follow the law and Company procedures to protect and enhance environment, health, and safety
- Do create and maintain a safe working environment
- Do prevent workplace injuries
- Do find ways to reduce waste, emissions and the use of toxic materials
- Do clean up past problems efficiently
- Do be a responsible environmental good neighbor
- Do eliminate unreasonable risks from Masonite products and services

### III. HOW TO COMPLY

COMPLY with all applicable environmental, health and safety (“EHS”) laws and regulations, and Masonite EHS policies.

CREATE AND MAINTAIN a safe working environment and prevent workplace injuries.

ASSESS EHS, LEGAL AND REPUTATIONAL RISKS before starting a new activity, venture or project, selling a new product, acquiring a new business, or participating in a hazardous business.

CONSIDER EHS IMPACT in the design and production of Masonite’s products and services as part of evaluating the “life cycle” of our products.

ELIMINATE UNREASONABLE EHS RISKS from Masonite facilities, products, services, and activities.

AS PRACTICABLE, REDUCE TOXIC AND HAZARDOUS MATERIALS; prevent pollution, and conserve, recover and recycle materials, water and energy.

RECOGNIZE the right to water as a fundamental human right.

CONTINUE TO IMPROVE OUR EHS SYSTEMS and performance as an integral part of Masonite’s operational strategy.

PRESENT IDEAS that support the goals of this policy to your manager or the EHS Department.

PROMPTLY ALERT YOUR MANAGER or the EHS Department of unlawful or unsafe conditions.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

UNSAFE ACTIVITIES AND CONDITIONS, such as:

- disabling safety controls or guarding on equipment and machinery
- authorizing or condoning unsafe work practices by any Masonite Employee or failing to report safety violations
- working on electrical or powered equipment without following safety (e.g. “lock-out, tag-out”) procedures
- failure to use personal protective equipment (shoes, safety glasses, hearing protection, gloves, monitors, etc.)
- unlabeled or unapproved chemicals
- exposed or unsafe wiring
- blocked fire or emergency exits

- working without required fall protection
- unsafe driving, or failure to wear seat belts or follow Masonite’s driving policies
- working beneath heavy, suspended loads, or improperly using cranes
- working unsafely at a customer site
- potential exposure to serious infectious diseases

FAILURE TO COMPLY with health, safety or environmental regulations and procedures.

EHS COMPLAINTS from Employees, customers or neighbors.

UNREPORTED environmental, health or safety hazards or accidents.

FAILING TO RESPOND promptly to concerns about possible product safety issues.

MISSED OPPORTUNITIES for reducing waste and toxic materials.

FAILING TO FOLLOW MASONITE POLICIES for the management, shipping, transportation, import/export, and disposal of hazardous materials and chemicals.

RISKS AND LIABILITY associated with new acquisitions as well as both new and existing products, processes, services and ventures that present increased legal liability and reputational risk.

INADEQUATE SECURITY procedures or practices that may present safety threats to a facility and/or an Employee.

NEW PRODUCTS, processes, ventures or acquisitions that present increased legal liability and reputational risk.

## **6. Security & Crisis Management**

### **I. OVERVIEW**

In an age of increasing threat, protecting the security of our Employees, workplaces, information, and businesses is critical. It starts with every business unit implementing a rigorous and comprehensive security and crisis management (SCM) plan. Masonite's SCM plan includes measures for preventing terrorist and other criminal acts covering our Employees, facilities, information, information technology (IT) infrastructure, business continuity, and crisis management. In addition, Employees must take every precaution to avoid doing business with terrorists or those that support terrorist activity.

### **II. OUR POLICY**

- Do participate in EHS and your business unit's emergency planning and emergency drills
- Do comply with the entry and exit rules at Masonite facilities, including wearing a badge or other form of identification, if required
- Do protect access to Masonite facilities and IT assets from theft or misappropriation
- Do comply with global immigration rules when traveling and comply with all Masonite travel policies
- Do screen all customer, suppliers, agents and dealers against appropriate terrorist Watch lists
- Do report any apparent security lapses to your manager, EHS or Crisis Management Leader
- Do pay attention to any potentially threatening situation and proactively report it to management

### III. HOW TO COMPLY

IMPLEMENT RIGOROUS PLANS to address the security of Employees, facilities, information, IT assets and business continuity.

CREATE AND MAINTAIN a safe working environment – this includes identifying and reporting instances of workplace threats or violence.

CONDUCT appropriate background checks on new hires and contractors, wherever allowed by law.

PARTICIPATE IN your business unit's emergency planning and emergency drills.

COMPLY WITH global immigration rules when traveling internationally and ensure that Employees or visitors who work for you or who are closely associated with your business, also comply.

ENSURE PROPER BUSINESS continuity plans are prepared for an emergency.

COMPLY WITH the entry and exit rules at Masonite facilities, including wearing the appropriate badge.

SCREEN all customers, suppliers, agents and dealers against appropriate terrorist Watch lists.

PROTECT ACCESS to Masonite facilities from all but authorized personnel.

COMPLY WITH all Masonite international travel policies. Obtain appropriate pre-clearance to designated countries.

PROACTIVELY REPORT any apparent security lapses or risks to your manager, Crisis Management Leader or Masonite Ombudsperson.

PROTECT IT ASSETS from theft or misappropriation.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

NON-EMPLOYEES AT MASONITE FACILITIES not wearing appropriate badges or proper identification.

UNSECURE AREAS OF A FACILITY where only authorized personnel are allowed to enter.

UNAUTHORIZED ENTRY to a facility.

UNSECURE IT ASSETS, such as laptops, servers, etc., especially outside of the office.

SECURITY COMPLAINTS from Employees, customers or neighbors.

DOING BUSINESS with a customer, supplier or any third party without sufficient screening.

INADEQUATE PROTECTION of hazardous materials.

# 7. Protecting Intellectual Property

## I. OVERVIEW

Masonite's intellectual property is one of its most valuable assets. All Employees must work to safeguard our patents, trademarks, copyrights, trade secrets, and other proprietary information and know-how. At the same time, it is critical that we respect the valid intellectual property rights of others (e.g. customers, suppliers and competitors). Unauthorized use of intellectual property of others can expose the Company and even individual Masonite Employees to lawsuits and damages, including significant fines and criminal penalties. A key to protecting our intellectual property and, at the same time, guarding against this risk, is the timely and reasonable review of new Masonite products, services, processes and software, for possible invention and trade secrets and infringement of the intellectual property rights of others.

## II. OUR POLICY

- Do identify and protect commercially significant Masonite intellectual property, such as patentable inventions and trade secrets
- Do consult with Masonite's Legal Department before:
  - Soliciting, accepting or using any proprietary information of third parties
  - Disclosing Masonite proprietary information to third parties
  - Permitting others to use Masonite intellectual property
- Do understand your responsibilities to the Company regarding new inventions and ideas you develop while working for Masonite
- Do follow the guidelines for use of the Masonite copyrights, trademarks and trade names
- Do follow Company management procedures regarding intellectual property



### III. HOW TO COMPLY

IDENTIFY AND PROTECT Masonite intellectual property.

FOLLOW THE REQUIREMENTS of Masonite in handling any unsolicited ideas from third parties as well as the requirements of the Employee Confidentiality, Inventions and Intellectual Property agreements.

RESPECT VALID PATENTS, copyrighted materials and other protected intellectual property of others.

CONSULT with the Legal Department concerning necessary licenses or approvals to use protected intellectual property of others such as patents, trademarks or proprietary trademarks or proprietary information (i.e., information that is in confidence and not publicly known or generally available).

CONSULT with the Legal Department before:

- soliciting, accepting or using proprietary information of third parties (for example, soliciting proprietary information from a customer of a competitor)
- disclosing Masonite proprietary information to others
- permitting others to use Masonite intellectual property

UNDERSTAND YOUR RESPONSIBILITIES to the Company regarding new inventions, ideas you develop as a Masonite Employee and the Company's information. Consult with the Legal Department if you have any questions about these responsibilities and Masonite's Employee Confidentiality, Inventions, and Intellectual Property agreements.

COMPLY with the guidelines for use of the Masonite primary copyrights, trademarks and trade names and Masonite's Employee Confidentiality, Inventions and Intellectual Property agreements.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

ACCEPTING PROPRIETARY INFORMATION belonging to a third party, without first consulting the Company Legal Department.

DISCUSSING MASONITE PROPRIETARY INFORMATION with customers or suppliers.

USING ANOTHER COMPANY to develop new products or software without a written agreement in place covering ownership and other rights in the developed intellectual property.

PASSING ON, for technical or management review, a third party's suggestion for a new product, product feature, service or name, without following the Masonite Submitted Ideas Procedure.

INTRODUCING, OR PROVIDING INFORMATION about, a new product or service before patent applications have been filed or a decision has been made not to file an application.

INTRODUCING A NEW PRODUCT or service, or new product or service name, before checking for patent or trademark infringement.

THREATENING anyone suspected of infringing any Masonite intellectual property without first consulting with Company legal counsel.

EMPLOYING A NEW PERSON, especially a person who previously worked for a competitor, without putting in place safeguards to prevent the person from inadvertently disclosing or using the proprietary information of the previous employer.

EMPLOYING A PERSON who has not signed the EIPIA in a job where inventions are likely to be made.

## **8. Sarbanes Oxley Act (SOX) Compliance & Controllershship**

### **I. OVERVIEW**

Controllershship is comprised of three fundamental pillars: (1) rules that classify transactions and balances appropriately; (2) systems and controls that protect assets and accumulate information consistently and correctly; and (3) financial and transactional reporting that is timely and unbiased. Masonite is committed to supporting these pillars, through our compliance with both the Sarbanes Oxley Act and applicable controllershship laws and policies generally.

### **II. OUR POLICY**

- Do comply with the Sarbanes Oxley Act
- Do comply with Masonite accounting policies, Generally Accepted Accounting Principles, and applicable regulations and laws
- Do maintain complete, accurate books and records
- Do protect the security of Company assets
- Do release financial information outside the Company only with proper authorization
- Do allow Company auditors access to your records
- Do preserve documents and records that are known to be relevant to pending or reasonably foreseeable litigation, audits or investigations, and as directed by Company counsel
- Do, when creating documents, use care to make them accurate and truthful
- Do ensure that financial and non-financial information and operating metrics are reported accurately and on a timely basis

### III. HOW TO COMPLY

COMPLY WITH SOX including understanding how SOX affects your job and function and ensure coordination with the Finance Department on SOX related issues.

FOLLOW MASONITE'S GENERAL ACCOUNTING PROCEDURES, as well as applicable generally accepted accounting principles, standards and regulations for accounting and financial reporting.

ENSURE THAT FINANCIAL AND NONFINANCIAL INFORMATION and operating metrics are reported accurately and in a timely fashion.

MAINTAIN COMPLETE, ACCURATE AND TIMELY records and accounts to appropriately reflect all business transactions.

SAFEGUARD ALL COMPANY ASSETS (physical, financial and informational).

PROVIDE TIMELY, CANDID FORECASTS and assessments.

MAINTAIN SOUND PROCESSES and controls.

Comply with Masonite's document management procedures (found at [www.frontdoor.com](http://www.frontdoor.com)) as well as all applicable laws and regulations relating to the preservation of documents and records.

PRESERVE DOCUMENTS AND RECORDS relevant to pending or reasonably foreseeable litigation, audits or investigations, and as directed by the Legal Department.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

FINANCIAL RESULTS THAT SEEM INCONSISTENT with underlying performance.

INACCURATE FINANCIAL RECORDS, such as overstated travel and living expense reports, or erroneous timesheets or invoices.

TRANSACTIONS THAT ARE INCONSISTENT with good business economics.

ABSENCE OF CONTROLS to protect assets from risk of loss.

PHYSICAL ASSETS or other resources that could be more fully used, reallocated or disposed of.

CIRCUMVENTING REVIEW and approval procedures.

INADEQUATE ROUTINES AND CONTROLS at newly acquired businesses and at remote and/or understaffed sites.

INADEQUATE OR FLAWED ROUTINES, SYSTEMS AND CONTROLS to preserve documents (including e-mail) for pending or reasonably foreseeable litigation, audits and investigations.

DISPOSAL OF DOCUMENTS without knowing what is being discarded or whether the documents are subject to legal preservation requirements.

FALSE OR EXAGGERATED STATEMENTS in e-mails, presentations or other documents.

## **9. Conflicts of Interest**

### **I. OVERVIEW**

On the job or in your free time, nothing you do should conflict with your responsibilities to Masonite. No activity at work or at home should hurt Masonite's reputation or good name. Misusing Masonite resources or influence is also prohibited. Even when nothing wrong is intended, the appearance of a conflict can have negative effects. It is crucial to consider how your actions might appear, and to avoid the perception of a conflict of interest.

### **II. OUR POLICY**

- Do avoid actions or relationships that might conflict or appear to conflict with your job or the interests of Masonite
- Do not misuse Masonite resources, intellectual property, time and facilities (including office equipment, e-mail and computer applications)
- Do obtain approvals before accepting any position as an officer or director with a non-Masonite business or not-for-profit entity
- Do not purchase stock in an IPO Company if you interface with that Company in your Masonite business activities
- Do not take personal advantage of any opportunities that Masonite could have an interest in that are discovered through the use of Masonite position, information or property
- Do disclose in writing your outside activities, financial interests or relationships that may present a possible conflict of interest

### III. HOW TO COMPLY

DISCLOSE (in writing to your manager or to the Legal Department), your outside activities, financial interests or relationships that may either present a conflict or the appearance of conflict.

USE GOOD JUDGMENT in all personal and business dealings outside your Masonite job.

AVOID ACTIONS OR RELATIONSHIPS that may cause potential conflicts or create the appearance of a conflict with your job or Masonite's interests.

DO NOT MISUSE or use for personal gain Masonite resources, intellectual property, time or facilities – this includes office equipment, e-mail and computer applications.

DO NOT TAKE for yourself personally any opportunities that Masonite could have an interest in that are discovered through the use of Masonite positions, information or property.

GET APPROVALS before accepting officer or director positions with an outside for-profit business while you are a Masonite Employee.

GET YOUR MANAGER'S APPROVAL when accepting not-for-profit board positions, particularly if the organization has a Masonite relationship or might expect Masonite financial or other support.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

FINANCIAL INTERESTS in a company where you could personally affect Masonite's business with that Company (for example, a customer, supplier, competitor or other investment).

PART-TIME JOBS which you perform using Masonite hours or Masonite equipment or materials.

ACCEPTING GIFTS of other than nominal value from suppliers, customers or competitors, particularly if you are making decisions (on Masonite's behalf) that involve them.

PERSONAL DISCOUNTS or other benefits from suppliers, service providers or customers that the public or your Masonite peers do not receive.

DIRECTING BUSINESS to suppliers when you know they are owned or managed by your family members or close friends.

MISUSING MASONITE RESOURCES, your position or influence to promote or assist an outside activity.

HIRING, PROMOTING OR DIRECTLY SUPERVISING a family member or close friend.

PERSONAL RELATIONSHIPS that may conflict with your Masonite responsibilities or compromise Company interests.

# 10. Insider Trading & Stock Tipping

## I. OVERVIEW

In the course of your job, you may learn of material information about Masonite or other companies before it is made public. You may learn of such information in a completely innocent way: for example, by overhearing a conversation or seeing a memo left on a copy machine. Using this information for your financial or other personal benefit or conveying this information to others, constitutes a violation of our policy and may violate the law.

## II. OUR POLICY

- Do read our Insider Trading Policy located on [www.frontdoor.com](http://www.frontdoor.com)
- Do not buy or sell Company securities, including 401-k and other Employee plans, bonds, indentured notes or shares while you are aware of material, non-public (“inside”) information
- Do not recommend trading activities to others based on inside information
- Do not share inside information if it may be used for trading stock, bonds, indentured notes or other securities trading
- Do maintain strict confidentiality Company deals that may affect Masonite or any other company that trades publicly
- Do not purchase “friends and family” stock in companies that have any relationship with Masonite business activities unless approved in advance by Masonite’s Executive Management and the Legal Department

### III. HOW TO COMPLY

DO NOT BUY OR SELL the securities of any company, including Masonite, either directly or through family members or other persons or entities, while you are aware of inside information about that company. (This is known as “insider trading.”)

DO NOT RECOMMEND OR SUGGEST that anyone else buy or sell the securities of any company, including Masonite, while you have inside information about the Company. (This is known as “tipping.”)

MAINTAIN THE CONFIDENTIALITY of Company information and do not convey information to anyone outside the Company unless it is necessary for the Company’s business activities.

IF QUESTIONS ARISE, consult the Legal Department before trading in the security or disclosing Company information.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

NON-PUBLIC INFORMATION WHICH, IF DISCLOSED, would reasonably be expected to affect the price of a security or would influence your decision to buy, sell or hold a security, such as an earnings announcement or a prospective acquisition announcement. (This is known as “inside information.”)

BUYING OR SELLING A SECURITY because you hear or learn of information at work that you think will make the price go up or down once it is publicly announced (e.g. major contract being signed with a supplier or customer or a possible merger).

DISCUSSING MASONITE BUSINESS with family and friends.

TALKING ABOUT WHAT YOU ARE WORKING ON or where you are going on Company business or who visited the office.

ENGAGING IN TRADING ACTIVITY around the time of a significant Company announcement.

# **11. International Policies**

## **11.1 COMPLIANCE POLICY-INTERNATIONAL OPERATIONS**

### **I. OVERVIEW**

International operations, whether such are conducted across national boundaries or within the domestic confines of a foreign nation, involve a host of additional legal and regulatory compliance obligations. Among these are:

- Import and Customs Regulations
- Export Controls
- Foreign Assets Controls
- Trade Regulation and Antitrust Concerns
- Anti-Boycott Regulations
- Money Laundering Concerns
- Bribery and Foreign Corrupt Practices Act Compliance
- Environmental Health and Safety Compliance
- Immigration, Labor and Employment Issues
- Privacy Legislation

The U.S. is not the only nation that has expansive laws and regulations that address the foregoing. All developed nations have parallel laws and the trend is clearly the same in lesser-developed countries. Furthermore, many of these laws have extraterritorial effect such that activity in one country can impact on the law of another. Accordingly, even more diligence is warranted in conducting our foreign operations in compliance with national laws. It is essential to avoid even the appearance of non-compliance and to protect our good name and reputation.

### **II. OUR POLICY**

- Comply with all applicable national laws and international treaties and agreements where we have controlled foreign operations



- Take steps to convince non-controlled foreign operations to comply with all applicable national laws and international agreements
- Take pre-investment or pre-formation measures to assure that potential foreign operations and potential foreign subsidiaries/affiliates have adequate compliance policies and processes in place
- Immediately report any actual or suspected compliance violation or suspicious activity to legal counsel

### III. HOW TO COMPLY

IDENTIFY AND TRACK APPLICABLE LAWS AND REGULATIONS that impact on foreign cross border and domestic operations.

CONDUCT PERIODIC EMPLOYEE TRAINING on all applicable laws and regulations.

CONDUCT FOCUSED TRAINING ON SPECIFIC EMPLOYEES that are engaged in particular functions, e.g.

- Imports
- Exports
- Foreign Investments
- Credit and Collections/Receivables Processing
- Payables Processing
- Dealing with Sales Representatives and Distributors

- Sourcing/Purchasing Activities
- Environmental Compliance
- Human Resources/Immigration Privacy
- Safety Compliance
- Sales/Marketing/Pricing Activities

HAVE A DESIGNATED PERSON OR PERSONS as intake points for compliance reports and concerns where legal counsel is not readily available.

#### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

LEVERAGE INVESTMENT POSITION IN NON-CONTROLLED AFFILIATES to encourage compliance, i.e. go on record through Board and Shareholder meetings and motions to indoctrinate compliance policies and a compliance mindset.

PERFORM PRE-INVESTMENT & FORMATION DUE DILIGENCE before closing foreign acquisitions/operations and link compliance requirements to transaction closing.

LOOK OUT FOR RED FLAGS in ongoing activities and never proceed in light of any red flag.

MAINTAIN REPORTING PROCESSES to cover mandatory reporting requirements under applicable U.S. and foreign laws.

ALWAYS “KNOW” THE SUPPLIER AND THE CUSTOMER and assure that necessary compliance tools are incorporated into the contractual documents.

## 11.2 EXPORT CONTROLS-PRODUCTS AND TECHNOLOGY

### I. OVERVIEW

The purposes of U.S. Export Controls are:

- to further U.S. foreign policy and national security interests
- to counter proliferation of weapons of mass destruction
- to frustrate state supported terrorism
- to combat international crime syndicates and drug cartels

There are many statutes and regulations under the administration of the State, Treasury and Commerce Departments that control exports. The State Department regulations are principally directed at trade in arms and munitions. The Commerce Department regulations are the broadest in scope and our products and technology fall under these regulations. The State Department regulations control trading with enemies and control foreign assets under U.S. jurisdiction.

Every export of product or technology from the U.S. is controlled but not every export requires a specific export license. The Commerce Department regulations stem from the Export Administration Act of 1979 (EAA). Under the EAA regulations, products and related technology are classified in a massive Commerce Control List (CCL) under Export Control Commodity Numbers (ECCN) that defines what level of control is placed on each. The controls are categorized as “product” controls, “end use” controls” and “end user” controls. Thus, a product or related technology may require a specific export license depending on its nature (a “product control”, e.g. a dual civil/military) or its end use (an “end use” control, e.g. in a nuclear facility) or its end user (an “end user” control, e.g. a foreign government). If a specific export license is not required under the CCL, then the export is controlled under the No License Required (NLR) contained in the CCL, which permits exports of non-specific license products/technology.

Any export destined for U.S. embargoed nations, directly or indirectly, is not permitted regardless of the product. These nations change over time due to political events. Additionally, the Commerce Department has issued numerous “Denial Orders” which revoke the export privileges of the named

persons/entities in the denial order. It is prohibited to transact any export with any person/entity who is under a denial order.

The term “export” is more encompassing than an actual shipment from the U.S. Any disclosure can be a “Deemed Export” if made anywhere to a person/entity that would otherwise be subject to a control. For example, a discussion or disclosure in the U.S. with a foreign person about one’s technology or giving a factory tour to such a person would be a Deemed Export and would be subject to the same level of control as would be an actual export shipment.

## **II. OUR POLICY**

- Strictly obey all U.S. Export Control laws and regulations
- Never export, directly or indirectly, to an embargoed country
- Never export to a person or entity who is the subject of a Denial Order
- Immediately report any actual or suspected violations or suspicious activity to legal counsel
- Before any export of products or technology is made, either an actual or a “Deemed” export, proceed through the decision tree that is contained in the EEA
- Determine if the product or technology export requires a specific export license or not. If yes, then proceed to file an application for a license
- If no specific license is required then proceed with the export under the “No License Required” provisions of the EAA
- Maintain a system to identify “Deemed” exports before such occur to assure that a prohibited deemed export does not take place

### III. HOW TO COMPLY

ASSURE THAT ONE OR MORE EMPLOYEES are well versed in the use and interpretation of the EAA regulations so as to provide a check point for internal export control for products and technology prior to export.

ASSURE THAT THE U.S. GOVERNMENT LIST OF DENIED PARTIES, which list U.S. Government designated terrorists, money launderers and otherwise denied persons/entities is currently referenced so as to assure that no transaction is entered into with any such person/entity.

MAINTAIN FILES OF ALL EXPORT DOCUMENTATION including purchase orders, confirmations, letters of credit, bills of lading, export declarations, etc.

MAINTAIN A FILE of all license applications (with supporting documents) and all issued licenses.

MAINTAIN RECORDS OF ALL TECHNOLOGY TRANSFERS AND DISCLOSURES to foreign persons/entities wherever made.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

#### BE AWARE OF RED FLAGS

- requests to export to third parties who are not our customer
- requests to falsify certificates of origin and other export documents
- trans-shipments of products or technology from one country to another
- requests to classify products under erroneous ECCN
- requests to use designated unknown freight forwarders
- misrepresentations as to end use or end user
- mid-stream requests to change freight forwarders/destination
- careful review of shipments to free trade zones

## 11.3 FOREIGN ASSETS CONTROLS

### I. OVERVIEW

Under the Treasury Department, the Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against:

- targeted foreign countries
- terrorists
- international narcotics traffickers
- activities related to proliferation of weapons of mass destruction

The underlying statutes for these controls are the Trading with the Enemy Act (TWEA) and the International Emergency Economic Powers Act (IEEPA)

Foreign assets that are the subject of OFAC controls at any point in time are usually referred to as “frozen” assets. OFAC regulations control the administration and disposition of the frozen assets of targeted nations that are within the jurisdiction of the U.S. and control transactions with targeted nations so as to maintain control over the frozen assets. Such transactions are those with the target nation, its nationals or their agents anywhere in the world.

### II. OUR POLICY

- Never engage in any transaction involving foreign assets that are the subject of OFAC controls
- Monitor OFAC controls so as to assure awareness of foreign assets which may be controlled and compliance with OFAC regulations on the disposition of such assets
- Inventory any foreign assets which may be under our control and under the control of our subsidiaries to assure that such are correctly handled under OFAC regulations
- Promptly report to OFAC on any frozen assets and controlled transactions as required
- Immediately report any actual or suspected violation or suspicious activity to legal counsel

### III. HOW TO COMPLY

ASSURE THAT ONE OR MORE EMPLOYEES is well versed in the use and interpretation of the OFAC regulations so as to provide a checkpoint for internal control of any foreign assets under our and our subsidiaries' control, which may be subject to a freeze.

MAINTAIN AN INVENTORY of any frozen assets and a log of all related transactions so as to assure compliance with the OFAC regulations.

FILE REPORTS WITH OFAC as required and promptly respond to any OFAC demands for inventories of frozen assets.

### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

AWARENESS IS CRITICAL in foreign transactions as compliance with OFAC regulations is often in parallel with other Policy compliance measures. Be wary of:

- transshipments to third countries
- receipt of payments from unrelated third parties

- requests to remit payables to unrelated third parties
- misrepresentations as to the ownership/control of bank accounts, letters of credit and other financial instruments

## 11.4 GLOBAL LABOR AND EMPLOYMENT

### I. OVERVIEW

There are many considerations that come into play when personnel are moved across national borders in the course of employment by a multinational Company. Some of these considerations are:

- immigration and visa laws and regulations
- preservation of social benefits
- Employee privacy rights
- U.S. and foreign taxation considerations
- discriminatory practices towards women and minorities
- unintended involvement of U.S. or foreign nationals in activities
- proscribed by either host or home country laws
- unintended rights to termination compensation
- salary/benefits cost equalization

Prior to the transfer of an Employee to a foreign operation or transfer of a foreign Employee to the U.S., careful analysis need be done of the costs/benefits and difficulties encountered in the proposed transfer. This would require coordination between the two operations' human resources functions with involvement of counsel as appropriate.

### II. OUR POLICY

- Before the transfer of any Employee across national borders, identify all applicable compliance obligations in both the home and host countries and assure that such can be met/procured prior to Employee transfer
- Human resources functions are to coordinate between countries in Employee matters
- Immediately report any actual or suspected violations to legal counsel



### **III. HOW TO COMPLY**

HAVE A DESIGNATED AND TRAINED HUMAN RESOURCES EMPLOYEE in each country/location where we have operations.

ASSURE THAT CROSS BORDER COORDINATION TAKES PLACE prior to the international transfer of any Employee.

HAVE A DESIGNATED AND TRAINED LABOR/UNION RELATIONS EMPLOYEE in each country/location where we have operations.

### **IV. CAUTIONARY POINTS – THINGS TO WATCH FOR**

TERMINATIONS OF U.S. EMPLOYEES should be avoided while Employees are located outside of the U.S since this may lead to unintended liability under host country termination laws.

PROCURE WAIVERS IF LEGALLY POSSIBLE of home country protections prior to transfers.

## 11.5 IMPORTING AND CUSTOMS

### I. OVERVIEW

An import is any good brought into the Customs territory of the U.S. from outside the territory. The U.S. Customs territory is defined as the 50 states, District of Columbia and Puerto Rico. U.S. possessions are not considered part of the Customs territory, thus goods entering from these possessions are considered to be imports.

Every import requires clearance through the Customs process called an “Entry”. Everything imported into the U.S. is dutiable although many goods are not subject to duty because of various duty preference items that stem from international trade agreements (e.g. NAFTA) and U.S. programs aimed at improving the economy of developing nations (e.g. Generalized System of Preferences or GSP).

Imports and the Entry process are handled for importers by licensed Customs Brokers who prepare the required Entry documents and pay any duty due on behalf of the importer (the “Importer of Record”).

In order for a proper Entry to be made the invoice rendered by the supplier for the imported goods must contain detailed information, which is required under the Customs regulations. Without a complete and correctly populated invoice delays in receiving the imported goods and possible fines can occur.

Except for the exceptions permitted by regulations, all imported goods must be correctly “Marked” with the country of origin so as to inform the ultimate purchaser in the U.S. of the country where the good was made. The Marking must be:

- in a conspicuous place of the good
- legible
- permanent

Any duty, which is due on an import, is determined by the Tariff Classification Number for the good as contained in the Harmonized Tariff Schedule of the U.S. That classification must be properly made so as to assure correct duty is applied. Classification is a specialized process, usually done by the Customs Broker. Accordingly, the Customs Broker needs accurate description of the good from the Importer so as to assign the correct Tariff number. The value of the import, to which the applicable duty rate is applied, is usually its invoice price called the “Transaction Value”. However, alternate methods of valuation may apply in circumstances where the good is supplied by a party related to the importer. A related party is one where 5% or more of the outstanding voting units are held.

The Customs regulations provide for many types of items that may require additional payment of duty which are quite detailed. In this regard, it is essential that the Invoice contain all of the data needed to determine if any such additional payments would be due. One such item that can cause difficulty is termed as “Assists”. An Assist would be one of the following items provided to the supplier of the good by the buyer of the imported good at no charge or at a reduced charged:

- materials/components/parts incorporated into the imported good
- tools/dies/molds used in the production of the imported good
- engineering/design/development work that is done outside of the U.S. and necessary for the production of the good
- Generally, the value of such Assists must be declared on the first invoice for the subject imported good and duty may be due on the value of the Assists

A major element of compliance with the U.S. Customs regulations is recordkeeping. The regulations set out the types of documents that need to be retained by the importer so as to support the accuracy of each Entry. The maintenance of these records for the prescribed periods is essential to avoid investigations and penalties.

There are many other topics that fall under the scope of Customs regulation and compliance some of which are attached to specific trade agreements, like NAFTA, and specific Customs programs like “Duty Drawback”.

## II. OUR POLICY

- Comply with all import and customs laws and regulations
- Assure that imported goods are correctly classified
- Assure that designated Customs Brokers are under requisite power of attorney
- Assure that designated Customs Brokers have all required data concerning ongoing and new imports so as to expeditiously Enter our imports
- Assure that suppliers are instructed and required to render correct and complete invoices for Customs purposes
- Assure that all items of additional duty payments, such as “Assists” are tracked and timely declared
- Assure that all required import documents are identified and maintained for the requisite retention periods
- Immediately report any actual or suspected violation or suspicious activity to legal counsel

## III. HOW TO COMPLY

IDENTIFY AND SELECT COMPETENT CUSTOMS BROKERS and consider limiting the number of Customs Brokers used so as to establish consistent routines. One Customs Broker with operations at all the ports of entry used may be preferable.

IDENTIFY NEW IMPORT PROGRAMS before actual imports begin so as to assure that all the requisite steps have been taken internally and with the Customs Broker to allow expeditious Entries.

ASSURE THAT ALL IMPORTS HAVE BEEN CLASSIFIED correctly and maintain the documentation and support used to so determine the selected classifications

DESIGNATE AND TRAIN one or more Employees in the intricacies of the U.S. Customs regulations. Consider hiring a person who has taken and passed the customs broker licensing examination.

ASSURE THAT ALL REQUIRED FILES containing the regulatory import documents are properly segregated and maintained for the requisite retention periods .

INSTITUTE TRACKING PROCESSES so that dutiable items, such as Assists, are identified and timely declared.

ASSURE THAT PURCHASE ORDERS AND PURCHASE CONTRACTS with suppliers include complete and accurate invoicing instructions obligating suppliers to render Customs sufficient invoices.

#### **IV. CAUTIONARY POINTS – THINGS TO WATCH FOR**

PAY CLOSE ATTENTION TO RELATED PARTY TRANSACTIONS and assure that the value of goods imported from a related party has been established using requisite Customs criteria and document the file accordingly.

THE USE OF PREFERENTIAL DUTY PROGRAMS such as GSP, Duty Drawback, and Return of Goods require diligent tracking routines and file maintenance. Consider the retention of specialized providers for such purposes.

RESPOND QUICKLY TO CUSTOMS INQUIRIES and be prepared to support our position based on the records maintained.

CONSIDER THE ENTRY INTO A CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM (“CTPAT”) program with Customs to baseline with Customs our agreed internal compliance process.

## 11.6 FOREIGN CORRUPT PRACTICES ACT

### I. OVERVIEW

The Foreign Corrupt Practices Act (FCPA) prohibits the use of the mail or any instrumentality of interstate commerce (e.g. phone, e-mail) to offer or pay money or anything of value to a foreign official or candidate for such a position or foreign government for the purpose of influencing any act or decision to assist in the obtaining or retaining of any business or to the directing of any business to any person.

The FCPA covers (1) “Issuers” (any entity which has a class of securities registered under defined sections of the 1934 Securities and Exchange Act), as well as any Employee of an Issuer, (2) Any corporation, partnership, business trust, unincorporated organization, sole proprietorship etc. which has its principal place of business in the U.S. or which is organized under the laws of a state of the U.S. (3) “Domestic Concerns” meaning any individual who is a citizen, national or resident of the U.S.

The FCPA also prohibits the “knowing” use of a third person to indirectly accomplish or attempt a prohibited act. Any indirect person could be an independent sales representative or sales agent, a distributor, an affiliated entity or any person located anywhere globally.

The FCPA also requires the maintaining of books, records and accounting controls which assure that (1) disposition of assets are accurately reflected, (2) transactions are executed solely per management authorization, (3) transactions are recorded pursuant to Generally Accepted Accounting Principles (GAAP), (4) accurate audits can be made.

The bribery prohibitions found in the FCPA can be found in the laws of virtually every other nation. Accordingly, steps taken to abide by the FCPA can be readily applied to operations in all nations where we have operations.

## II. OUR POLICY

- Comply with the FCPA and similar laws and regulations in all nations where we have operations
- Never offer any money or anything of value (like a gift) to any foreign official, or candidate foreign such a position or to any foreign government for the purpose of obtaining or retaining any business
- Never provide money or anything of value to or through a third person for the purposes of obtaining or retaining any business knowing that this third person will act contrary to the FCPA
- Only retain reputable sales representatives, agents, distributors, dealers, etc.
- Maintain books and records which are strictly in accordance with GAAP so as assure assets are dispersed and transactions are executed solely in accordance with management authorization
- Immediately report any actual or suspected violation or suspicious activity to legal counsel

## III. HOW TO COMPLY

IN RETAINING FOREIGN REPRESENTATIVES, always assure that internal procedures have been followed in doing defined due diligence on the capabilities of the proposed representative to accomplish the goal, e.g.

- experience and background of the principals
- financial capability
- credit worthiness
- reputation in the market
- established banking relationships
- experience with the product line
- checking with the U.S Embassy Commercial Attaché

ALWAYS HAVE A WRITTEN AGREEMENT that explicitly sets forth the representative's obligations and prohibitions and which specifically allows for audit of the representative's records.

ALWAYS ASSURE that none of the representative's Employees or principals are government officials or candidates for government positions.

ALWAYS ASSURE THAT PAYMENTS TO REPRESENTATIVES are made strictly in accordance with the terms of the written agreement and to the representative's designated bank account located in the country where the representative is retained to perform services.

ASSURE THAT BOOKS AND RECORDS are maintained strictly in accordance with GAAP.

#### IV. CAUTIONARY POINTS – THINGS TO WATCH FOR

BE AWARE OF RED FLAGS WHICH CAN TRIGGER THE POSSIBILITY OF “KNOWING” THAT IMPROPER ACTIVITY MAY OCCUR, e.g.

- what is the going rate for commissions in the field of activity
- are representatives normally present in the contemplated activity
- was proper due diligence done
- does the country have a negative reputation
- requests for commission payment to be made to a third person or third country
- requests for mid-stream adjustments to commission payments
- invitations to political fundraisers
- requests for mid-stream shifts to another representative
- hiring of government Employees or transfers of Employees to the government
- requests for charitable donations
- requests for false documents
- under invoicing or over invoicing of products
- lack on concern about product quality
- generally evasive answers to questions