



# Code of Business Conduct and Ethics

HOW WE ACT AND DO BUSINESS

March 2010

*Dear Fellow Employee,*

*At Powell we pride ourselves as being a company with integrity, a high standard of business conduct, and unquestioned ethical behavior. These characteristics are required and expected of every corporate director, officer, employee, and consultant.*

*The Code of Business Conduct and Ethics described in this book are regarded as fundamental principles of how each and every one of us act each and every day. I ask every Powell employee to make a personal commitment to follow our Code of Business Conduct and Ethics. If you have questions about a particular situation involving ethics, please discuss them with your supervisor or a member of management. We will respond to and resolve all questions. All Powell employees must comply not only with the letter of these policies but also the spirit.*

*Please read the document carefully, sign the last page and return the signed page to your Human Resources representative. The Company officers and directors have committed themselves to the principles and practices of this Code. Your commitment to act with the highest degree of ethical behavior is essential.*



Patrick L. McDonald  
Chief Executive Officer

## Introduction

Powell Industries, Inc. and its subsidiaries and divisions (the “Company”) are committed to maintaining the highest standard of ethical conduct. This Code of Business Conduct and Ethics (“the Code”) reflects the business practices and principles of behavior that support this commitment. We expect every corporate director, officer, employee, and consultant to read and understand this Code and its application to the performance of his or her business responsibilities. We will hold each of our employees, officers and directors accountable for adherence to this Code. Reference to “employee” shall also mean all agents, representatives, independent contractors, distributors, or consultants of the Company as they are required to strictly adhere to this Code. Those who violate this Code will be subject to disciplinary action, up to and including termination.

This Code of Business Conduct and Ethics covers a wide range of business practices and procedures. It sets out basic principles to guide the conduct of our employees. All employees must conduct themselves in accordance with this Code and be honest, fair, and trustworthy while avoiding even the appearance of improper behavior. If a law conflicts with a policy in this Code, you must comply with the law; however, if a local custom or policy conflicts with this Code, you must comply with the Code. Any questions about these conflicts should be referred to your supervisor.

*If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 15 - Compliance Procedure of this Code.*

## Section 1 - Compliance with Laws, Rules, Regulations, Procedures, and Policies

Obeying the law, both in letter and in spirit, is the foundation on which our ethical standards are built. All employees, officers and directors of the Company must comply with all of the laws, rules and regulations of the United States and other countries, as well as all states, counties, cities and other jurisdictions, applicable to the Company or its business. Employees must also comply with all Company Procedures and Policies.

All employees must respect and obey the laws and regulations that apply in the countries and localities where we do business. Although not all employees are expected to know the details of these laws and regulations, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

## Section 2 - Conflicts of Interest

A “conflict of interest” may exist whenever the private interests of any employee, officer, or director conflicts in any way (or

even appears to conflict) with the interests of the Company. While our employees, officers, and directors should be free to make personal investments and enjoy social relations and normal business courtesies, they must not have any personal interests that adversely influence the performance of their job responsibilities. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or member of his or her family, receives improper personal benefits as a result of his or her position in the Company, whether received from the Company or a third party. You should avoid any activity, association, or financial relationship that creates even the appearance of conflicting loyalties or interests.

It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer, or supplier. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on the Company’s behalf. You are not allowed to work for a competitor as a consultant or board member.

Conflicts of interest are prohibited as a matter of Company policy. Conflicts of interest may not always be clear-cut. If you have a question, you should consult with your supervisor or a member of senior management at your location.

*Any employee, officer, or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager, or other appropriate personnel or consult the procedures described in Section 15 - Compliance Procedure of this Code.*

## Section 3 - Insider Trading

Employees are not permitted to use or share inside information for stock trading purposes or for any other purpose except to conduct Company business. Inside information is any non-public information that a reasonable investor is likely to consider important in making an investment decision. Inside information is non-public information about anything that could materially affect a company’s stock price, including a pending merger, acquisition, or disposition, a substantial contract award or termination, a major lawsuit, an earnings (or losses) announcement, a significant product development, the gain or loss of a single customer, or a bankruptcy petition. Never use inside information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information.

Employees in possession of inside information may not purchase or sell any of the Company’s securities or “tip” others to trade in our stock. Employees with inside information about any of the Company’s suppliers, customers, or any other

company that we do business with, may not purchase or sell securities of those companies or “tip” others to do so.

It is your responsibility to be familiar with, and comply with, the Company’s Insider Trading Policy. Any breach of your duties and responsibilities under securities laws or our Insider Trading Policy will be a basis for disciplinary action, up to and including termination.

The restrictions of the Insider Trader Policy also apply to your family members and others living in your household. You are responsible for the compliance of such persons with securities laws and Company policy. Even the appearance of improper conduct must be avoided. Accordingly, you should never make a recommendation to anyone to buy, sell or hold Company stock.

#### **Section 4 - Company Opportunities**

Employees owe a duty to the Company to advance its legitimate interests. Except as may be approved by the Board of Directors, employees, officers, and directors are prohibited from (a) seeking personal gain from opportunities that belong to the Company or are discovered through the use of Company property, information, or position; (b) using Company property, information, or position for improper personal gain; and (c) competing with the Company directly or indirectly.

#### **Section 5 - Competition and Fair Dealing**

We seek to outperform our competition fairly, honestly, and always in compliance with applicable antitrust laws. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information obtained without the owner’s consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company’s customers, suppliers, competitors, and employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

To maintain the Company’s valuable reputation, compliance with our quality processes and safety requirements is essential. In the context of ethics, quality requires that our products and services be designed, manufactured, and performed to meet our obligations to customers. All inspection and testing documents must be factual and handled in accordance with all applicable regulations.

#### **Section 6 - Exchanging Gifts and Other Business Courtesies**

While the exchange of business courtesies can help build business relationships, accepting or providing business courtesies that are excessive or inappropriate can harm the reputation of both you and the Company. The purpose of business entertainment and gifts in a commercial setting is to create goodwill, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company employee, family member of an employee or agent unless it: (a) is not a cash gift, (b) is consistent with customary business practices, (c) is not excessive in value, (d) cannot be construed as a bribe or payoff and (e) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts which you are not certain are appropriate.

#### **Section 7 - Record-Keeping**

Certain documents and other records of the Company must be maintained for specific periods of time for possible review by regulatory authorities. Company documents such as contracts, agreements, licenses, accounting records, correspondence, and internal memos, including electronic documents, should be discarded or destroyed only in accordance with Company policy, or upon approval of the Corporate Controller. If you have any questions about the propriety of discarding or destroying a document, you should consult with the Corporate Controller prior to discarding or destroying such documents.

The Company will receive from time to time requests from third parties for documents relating to our business. Once the Company has received such a request, the Company is often prohibited by law from destroying any document that would be responsive to such request. If you become aware that we have received such a document request, you must not discard or destroy any requested or related documents until you have been advised in writing by the Corporate Secretary that you are permitted to do so.

Additionally, business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that may be misunderstood. This applies equally to e-mail, internal memos, and formal reports.

#### **Section 8 - Accuracy of Records**

It is the Company’s policy to record and report its factual information honestly and accurately. Intentionally violating this policy is a serious offense and will subject an individual to severe discipline by the Company, up to and including termination, and possible criminal and civil penalties.

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only true and actual number of hours worked should be reported. In cases where employees regularly use business expense accounts, all transactions must be documented and recorded accurately to the correct job. If you are not sure how to record or report certain information, ask your supervisor or consult the Controller of your operating subsidiary. Rules and guidelines are available from the Accounting Department.

Investors rely on the Company to provide accurate information about its business activities. Every individual involved in creating, transmitting, or entering a business transaction into the Company's operating or financial records is responsible for doing so fully, accurately and with appropriate supporting documentation. Employees may not make any entry that intentionally hides or disguises the true nature of any transaction.

Compliance with the Company's system of internal controls, established accounting policies, and generally accepted accounting principles is necessary at all times. In order to achieve such compliance, the Company's records, documents and financial statements must accurately reflect all transactions and provide full disclosure of the Company's assets, liabilities, revenues, and expenses. Knowingly entering inaccurate or fraudulent information or failing to enter material information into the Company's records and systems is unacceptable and may be illegal. Employees with knowledge of an entry or process that may be false are expected to consult their supervisor, the Chief Financial Officer, or a member of the Audit Committee. It is the responsibility of employees to give their full cooperation to the Company's authorized auditors.

### Section 9 - Confidentiality

All employees have an ethical and legal duty not to disclose confidential information entrusted to them by the Company, its customers, or other parties. Confidential information includes, but is not limited to, trade secrets, proprietary, non-public information that might be of use to competitors of the Company, or harmful to the Company or its customers if disclosed, or information material to a decision to invest in the Company stock that has not been publicly disclosed. You may have access to such information during the course of your work, and you are responsible for ensuring that it is not made available to unauthorized persons. You should remember that unauthorized persons may include your co-workers. Accordingly, you should discuss confidential information **only** with those persons you know to be authorized to receive it and that have a business need to know the information. Protection of our Company's confidential business information is vital to our success and growth in the competitive industry in which

we work. The obligation to preserve and protect confidential information continues even after employment ends.

We should be particularly careful when discussing or conducting business in public places such as airplanes, restaurants, social gatherings, etc. Use good judgment and comply with Company policies and procedures when using mobile phones, internet, speakerphones, or other forms of unsecured communications. Confidential information shall not be released to private individuals, organizations, or governmental bodies unless authorized by the Company or demanded by legal process such as a subpoena or court order. Employees shall not use confidential information obtained in the course of their employment for purposes of advancing any private interest or otherwise for personal gain. Employees should refer any requests for information about present or former employees of the Company to the Human Resources Department.

In addition, employees must respect the valid confidential information and intellectual property rights of others. Unauthorized disclosure or use of such information and rights of others is prohibited.

### Section 10 - Company Disclosure

It is Company policy to make timely and accurate public disclosure of all Company information as required by law, regulation, and any stock exchange rules to which the Company is subject to while at the same time remaining in compliance with other regulations and laws that require the Company to always make accurate disclosure and prohibit the Company from making "selective disclosures". In order to ensure that all disclosures of Company information such as earnings (or losses) information and other developments of material importance to investors, regulators, and the general public are accurate and fully comply with law, it is the Company policy that all such disclosures will be made only through specifically established Company channels. Company information of material importance is information about anything that could materially affect a company's stock price, including a pending merger, acquisition, or disposition, a substantial contract award or termination, a major lawsuit, an earnings (or losses) announcement, a significant product development, the gain or loss of a single customer, or a bankruptcy petition. Unless you have been specifically authorized to do so by the Company, you are strictly prohibited from discussing Company affairs of the type described above with security analysts, media representatives, governmental officials, or other outsiders. The unauthorized release of such information which may affect the value of the Company's common stock is a serious violation of this Code. An "unauthorized release" is any communication (verbal, written or head-nod) which anyone outside of the business could use to trade in Company stock.

If you are approached or questioned about such information, you have two responsibilities. First, politely decline to discuss the topic citing your commitment to this Code of Business Conduct and Ethics; then refer the inquirer to the Chief Financial Officer or to the publicly available information on our website at [www.powellind.com](http://www.powellind.com). Second, notify the Chief Financial Officer of the attempt to gain access to such information.

### **Section 11 - Protection and Proper Use of Company Assets**

Employees must safeguard and protect the Company's assets from loss, misuse, waste, damage, and theft and use them efficiently. Failure to do so has a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company equipment or assets should not be used in support or operation of any business other than that of the Company. Any unauthorized use of Company equipment, supplies, or intellectual property is prohibited by Company policy. Please also refer and comply with the Company's Computer Use Policy.

The Company permits limited and reasonable use of basic office services and systems such as telephones, photocopiers, facsimile machines, personal computers, and access to the internet and other public networks. Personal use of Company resources is a limited privilege, not an entitlement. When using Company assets or resources for personal use, you should exercise good judgment and keep personal use to a minimum. Such personal use must not interfere with work responsibilities, customer obligations, or with required business communications, and never be used in a manner or for a purpose that would reflect unfavorably on the Company. Where not prohibited by law or regulation, the Company reserves the right to monitor the use and content of its assets and resources.

The obligation of employees to protect the Company's assets includes its confidential and proprietary information as described in Section 9. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, customer lists, salary information, and any unpublished financial data and reports. Employees must identify, safeguard, and protect these proprietary information assets. Unauthorized use or distribution of this information would violate Company policy and could also be illegal and result in civil or even criminal penalties.

### **Section 12 - Payments to Government Personnel**

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain

business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. Government has laws and regulations regarding business gratuities which may be accepted by U.S. Government personnel. The promise, offer, or delivery to an official or employee of the U.S. Government of a gift, favor, or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. Most state and local governments, as well as foreign governments, have similar rules. Nominal gratuities may be permissible in limited situations, but not before consulting with your supervisor or other appropriate Company personnel.

Our policy prohibits Company contributions to political candidates or parties, even where such contributions are lawful. Personal participation in political activities must be separated from Company activities. The Company's name, property, including stationery, and work time must not be used in connection with such activities.

### **Section 13 - Waivers of the Code of Business Conduct and Ethics**

Any waiver of this Code for executive officers or directors may be made only by the Audit Committee of the Company's Board of Directors and will be promptly disclosed as required by law or stock exchange regulation. A waiver of this Code for all other employees may be made only by the CEO of the Company, your Division General Manager, or the President of your subsidiary. All waivers must be in writing and promptly disclosed to the Audit Committee.

### **Section 14 - Reporting any Illegal or Unethical Behavior**

Employees are encouraged to talk to supervisors, managers, or other appropriate company personnel about observed illegal or unethical behavior, or when in doubt about the best course of action in a particular situation. Employees are expected to cooperate in internal investigations of misconduct.

**It is the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith by employees.**

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## Section 15 - Compliance Procedures

We must all work to ensure prompt and consistent action against violations of this Code. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question and will appreciate being brought into the decision-making process.
- Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your Human Resources representative, Division General Manager, or subsidiary President. As a last resort, call 877.888.0002 (inside the US) or 011.770.409.5006 (outside the US), the Company's toll-free Ethics Lines, which will put you in contact with the appropriate individual at Company headquarters or, if appropriate, a member of the Company's Audit Committee.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept confidential, your anonymity will be protected to the extent practical and appropriate under the circumstance. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

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## Statement of Disclosure and Compliance

### Certification

I have read and understand the Code of Business Conduct and Ethics and agree to comply. I understand that failure to comply with the Code of Business Conduct and Ethics or failure to respond truthfully to this Statement of Disclosure and Compliance will be a basis for disciplinary action, up to and including termination.

Except as stated in the Disclosure section below, to the best of my knowledge and belief:

- I do not know of any interest or business relationship of my family members or mine that conflict with the provisions of the Code of Business Conduct and Ethics.
- I do not know of any other activity or set of circumstances that is a violation of the Code of Business Conduct and Ethics.

### Disclosure

The information provided below discloses circumstances which may be a violation of the Code of Business Conduct and Ethics or possible conflicts of interest for me and my family members, including the ownership of an interest in another business or other business relationships:

Signed

Name (Please Print)

Title

Date

*Powell Industries, Inc.  
PO Box 12818  
Houston, Texas 77217*

*Toll-free Ethics Lines:  
877.888.0002 (inside the US)  
011.770.409.5006 (outside the US)*