

## **ETHICAL STANDARD NO. 1:**

### **EQUAL EMPLOYMENT OPPORTUNITY AND FREEDOM FROM WORKPLACE HARASSMENT**

CTS is committed to provide equal employment opportunity for all applicants and employees. Individuals will be hired and promoted on the basis of their qualifications, performance and abilities. CTS will maintain Affirmative Action Plans at each location as required by law. Workplace harassment, whether verbal, written or physical, will not be tolerated. We are determined to provide a workplace free from any type of illegal discrimination and harassment.

#### **POLICY**

CTS employment practices will comply in all respects with applicable state and federal laws. It is the fundamental policy of CTS that:

- Equal Employment Opportunity will be provided to all persons regardless of race, color, religion, sex, age, national origin, disability, veteran status or any other category protected by law.
- All recruiting, hiring, training and promotions will continue to be done without regard to race, color, religion, sex, age, national origin, disability, veteran status or any other category protected by law.
- All conditions of employment, including but not limited to compensation, benefits, transfers, layoffs, return from layoff, company-sponsored training, education, tuition assistance, social and recreational programs, will continue to be administered without regard to race, color, religion, sex, age, national origin, disability, veteran status or any other category protected by law.

CTS Corporation, its business units and subsidiaries will comply with applicable laws, rules, and regulations pertaining to Equal Employment Opportunity and, where deficiencies exist, will pursue remedies to correct those deficiencies.

CTS will maintain formal Affirmative Action Plans at each location which is required by law to do so. CTS will take affirmative action to ensure that qualified applicants are employed and that employees are treated during employment without regard to their race, color, religion, sex, national origin, disability or veteran status.

CTS General Managers and Human Resources Managers will insure that all employee selection activities covered by the Federal Employee Selection Guidelines are carried out in a manner consistent with those Guidelines and that all such selections are based on bona fide occupational requirements.

Workplace harassment is defined as offensive or unwelcome behavior or conduct toward an individual based on diverse human characteristics or cultural background (such as age, race, gender, national origin, disability, religion or any other diverse human characteristic) which substantially interferes with an individual's employment or creates an intimidating, hostile or offensive work environment. Workplace harassment does not refer to employee performance-based discussions or other appropriate business-related conversations. Some examples of workplace harassment include continued or repeated verbal abuse; comments and joking about ethnic backgrounds, race, religion, physical characteristics, racial or ethnic stereotypes; and graphic or degrading comments about an employee's appearance.

Sexual harassment is a specific form of workplace harassment and is defined as unwelcome or unwanted conduct of a sexual nature when (1) submission to or rejection of this conduct by an individual is used as a factor in decisions affecting hiring, work assignment, evaluation, promotion or other aspects of employment, and/or (2) such conduct substantially interferes with an individual's employment or creates an intimidating, hostile or offensive work environment. Sexual harassment does not refer to occasional compliments of a socially acceptable nature or welcome social relationships. Examples of conduct that may, depending upon the circumstances, constitute sexual harassment, include demands for sexual favors that are accompanied by a promise of favorable job treatment or a threat concerning the employee's employment; sexual flirtations, advances or propositions; verbal abuse of a sexual nature, sexually related comments and joking; the display of sexually suggestive objects or pictures; and uninvited physical contact or touching, such as patting, pinching, or constant brushing against another's body.

It is unlawful and a violation of this policy to retaliate in any way against an individual who makes a report of workplace harassment or who cooperates in an investigation of a complaint of workplace harassment. Retaliation should be reported immediately. Retaliation will not be tolerated and will subject the violator to discipline as set forth below.

## **RESPONSIBILITIES**

Any employee who has experienced conduct he or she believes is contrary to this policy should immediately report this concern to his or her Human Resources Department or to the CTS Legal Department.

Any allegation of discrimination or workplace harassment brought to the attention of the Company will be promptly investigated by the CTS Legal Department in a confidential manner designed to protect the privacy of the individual(s) involved. Confidentiality will be maintained throughout the investigatory process to the extent practical and appropriate under the circumstances. CTS prohibits retaliation against any individual who reports alleged discrimination, or who participates in an investigation of such reports. Any such retaliation should be reported immediately. Retaliation will not be tolerated and will subject the violator to discipline as set forth below.

Misconduct constituting discrimination, workplace harassment or retaliation will be dealt with appropriately. The offender shall be subject to disciplinary action, up to and including termination.

If an employee reports a violation of this policy as set forth above and does not believe the situation has been satisfactorily resolved, the employee should then bring his or her complaint directly to the CTS General Counsel.

## ***ETHICAL STANDARD NO. 2:***

### **HEALTH AND SAFETY**

CTS is committed to promote the health and safety of its employees through compliance with applicable laws and regulations. CTS expects its employees to support this commitment by complying with all CTS practices, rules and regulations regarding safety and by actively striving to identify opportunities for improvement in CTS' health and safety programs.

### **POLICY**

CTS Corporation's operations worldwide shall be conducted in compliance with applicable health and safety laws and regulations, and with a positive commitment to continuous improvement.

### **RESPONSIBILITIES**

The Corporate Safety and Health Council will oversee the Company's health and safety program. The Council consists of senior executives responsible for administration, environmental health and safety and legal compliance, as well as the manager directly responsible for environmental health and safety, the Environmental Health and Safety Specialist, and other senior executives or managers who may be appointed from time to time. The Council will be responsible for the following:

1. Providing guidance with respect to the Company's health and safety program.
2. Overseeing the Company's performance and efforts to develop plans for compliance with health and safety laws and regulations.
3. Reviewing and supporting, as appropriate, funding requests for corporate compliance programs.
4. Overseeing the health and safety activities of the Corporate Environmental Services Staff.

The Corporate Environmental Services staff will assist each CTS location as needed to achieve policy objectives and compliance with applicable laws and regulations.

Operating managers will oversee the implementation of the day-to-day activities required for compliance with applicable health and safety laws and regulations. In addition, they will designate a Safety Coordinator, by name and title, for the facility to implement the health and safety program.

Measurement of performance and other appropriate documentation, as directed by Corporate Environmental Services staff, is to be forwarded to Corporate to determine conformance to this policy.

The Corporate Environmental, Health and Safety Specialist will be responsible for performing periodic audits of the facilities to determine compliance status and program quality.

***ETHICAL STANDARD NO. 3:***

**ENVIRONMENTAL PROTECTION**

CTS is committed to maintaining the quality of the environment in the communities in which it operates. It is CTS' intent to comply with both the letter and the spirit of environmental laws and regulations. CTS employees will treat the environment with care and engage in responsible business practices with respect to environmental management.

**POLICY**

CTS Corporation is committed to treat the environment with care, recognizing this issue as global in nature. It is CTS' intent to be recognized as a responsible business committed to continual improvement in environmental management in all business activities. To that end CTS will:

- Comply with relevant environmental legislation and regulations, and with other requirements to which the organization subscribes.
- Promote prevention of pollution through Waste Minimization/Recycling activities and other acceptable methods.
- Communicate this policy to all employees and make it available to the public.
- Regularly assess and audit the Environmental Management System (EMS) to ensure that environmental issues are properly addressed.

**RESPONSIBILITIES**

The CTS Corporate Environmental Services staff will provide guidance and direction to CTS General Managers and the appropriate staff at each CTS location to establish procedures to comply with this policy.

The person designated as Environmental Control Coordinator at each CTS location will handle day-to-day compliance activities and assist in implementing the EMS, including obtaining proper environmental permits and maintaining records for compliance with applicable laws and regulations.

Significant environmental problems or questions should be directed to the Corporate Environmental Services staff for review and recommendations. The Corporate staff will provide major project management and engineering advice and assistance, and consult and negotiate with governmental agencies as needed. The Corporate staff will provide plant personnel with regulatory and technology-based information vital to their operations. Individual facility environmental controls, recycle/recovery methods, and experiences may be reported in the newsletter.

CTS Corporate Environmental Services staff will undertake periodic compliance audits at each CTS location to ensure satisfactory performance to the Environmental Management System and the goals of this Policy.

***ETHICAL STANDARD NO. 4:***

**COMPLIANCE WITH ANTITRUST LAWS**

CTS is committed to compliance with the antitrust laws of the United States, and of such other countries as may be applicable to CTS' business operations. We believe in fair and honest competition within the free enterprise system. All employees who have

periodic contact with competitors of CTS will be ever mindful of the existence of these laws and strive to avoid placing themselves in situations which might create even the appearance of impropriety. Employees in management positions will be held accountable for taking the appropriate measures in their respective areas to achieve strict legal compliance, both by themselves and by their subordinates.

## **POLICY**

It is the policy of CTS Corporation to comply with the antitrust laws of the United States, and other countries applicable to its business operations, and to hold employees in management positions personally and strictly accountable for taking the appropriate measures necessary to achieve this objective within their respective areas of responsibility.

## **RESPONSIBILITIES**

### Purpose

While it is the objective of CTS to comply with all of the laws of the United States as well as the laws of the various jurisdictions in which we do business, the company recognizes the need to single out compliance with the antitrust laws of the U.S. (and other countries where applicable) as a subject requiring particular emphasis.

The antitrust laws are relevant to numerous business decisions, and the consequences of a violation can seriously injure CTS and the individuals involved. Several provisions of the antitrust laws of the United States contain penal provisions under which employees who authorize or engage in acts in violation of these laws can be personally liable for substantial fines and/or imprisonment.

### Sherman Act-Section 1

In furtherance of this Policy, the following must be strictly adhered to:

a) No employee shall enter into any understanding or agreement, whether express or implied, formal or informal, written or oral with a competitor limiting or restricting in any way any of the following:

- prices
- costs
- profits
- product or service offerings
- terms or conditions of sale
- production or sales volumes
- production facilities or capacity
- market share
- decisions to quote or not quote certain business
- sales territories
- customers
- distribution methods

b) Additionally, the following "understandings" may be in violation of the antitrust laws in certain circumstances. Therefore, without prior consultation with the CTS Legal Department, no discussions should take place related to:

- any understanding with a customer or supplier which conditions sales or purchases of CTS products on reciprocal sales or purchases of the customer/supplier's products, or
- any understanding with a CTS customer which attempts in any way to place "restrictions" on what the customer can do with product, or
- any understanding with a competitor, customer, supplier or distributor, which would attempt to restrict anyone from manufacturing any product or providing any service, or to sell to or buy from, any third party except where such restriction would be permitted pursuant to any applicable intellectual property right.

### Discussions with Competitors

It is imperative to remember that most lawsuits involving violations of the antitrust laws are based in large part on circumstantial evidence. Therefore, CTS employees who do have periodic contact with competitors should be ever mindful of not placing themselves in positions which might create the "appearance of impropriety." Conversation or communication with competitors on any of the above topics, no matter how innocent, could likely serve as evidence of an illegal understanding in the event of an antitrust lawsuit.

As a result, no employee should discuss with or accept information from a competitor or any other third party acting for a competitor, on any subject as to which an understanding with the competitor would be prohibited as set forth above. Nothing herein should be interpreted to preclude obtaining competitive information from independent third party sources who are not acting for a competitor in transmitting that information.

### Participation in Trade Associations (or other meetings) Where Competitors are Present

No CTS employee should attend or remain present at any meeting where there is a discussion by competitors of any subject which the CTS employee would be otherwise precluded from discussing with the competitor as set forth above. Additionally, no CTS employee should attend or remain present at any informal trade association meeting of competitor members held for the purpose of discussing business matters, without observing the formal procedural requirements established by the trade association for its business meetings.

Employees should be aware that participation in standard development and product certification activities which impact competitors or suppliers may raise antitrust concerns. Therefore, before participating in committees or organizations which develop standards or certify products, employees should consult with the CTS Legal Department.

### Price Discrimination and Robinson-Patman Act Issues

Price discrimination is controlled by the Clayton Act. The Robinson-Patman Act is an amendment to Section 2(a) of the Clayton Act. The purpose of this Act is to prohibit a seller from charging different prices to two (2) competing customers for purchases of like grade or quantity products where the effect of which might be to injure competition.

There are, in certain instances, legally recognized justifications for charging competing customers different prices for the same product. Such justifications are very limited and highly scrutinized by the U.S. Government. Therefore, company legal counsel should be consulted before any such program or practice is implemented.

### Business Outside the United States

The U.S. antitrust laws also apply to actions or agreements entered into abroad where the effect of those actions or agreements would have a substantial impact on the domestic or foreign commerce of the U.S. Additionally, most of the industrial countries where CTS transacts business have enacted various forms of antitrust laws (which range from very similar to very dissimilar to those of the U.S.). Company employees should be ever mindful of the fact that such laws do exist and should seek the advice of company legal counsel as needed.

## ***ETHICAL STANDARD NO. 5:***

### **COMPLIANCE WITH INTERNATIONAL TRADE CONTROLS**

CTS is committed to compliance with U.S. laws and regulations designed to protect national security and promote U.S. foreign policy objectives, through the control of the export of U.S. goods and technology. CTS expects its employees to have a working knowledge of applicable trade control laws and regulations, as they relate to their specific job responsibilities. Those with job responsibilities related to export transactions will be expected to participate in appropriate training with respect to international trade controls.

### **POLICY**

It is the policy of CTS Corporation to strictly comply with U.S. international trade control regulations. In order to ensure compliance, each employee whose job responsibilities relate to exports must have a working knowledge of these regulations as they may relate to his or her job responsibilities.

As a United States company engaged in international commerce, CTS must comply with U.S. laws which are designed to control the export of U.S. goods and technology in order to protect national security and advance foreign policy objectives. U.S. international trade controls include export control laws, such as the Export Administration Regulations, the International Traffic in Arms Regulations and the Foreign Assets Control Regulations, as well as anti-boycott laws. Violation of these laws may result in revocation of export privileges, substantial fines and criminal penalties. Therefore, compliance is essential to CTS' continued global manufacturing and sales growth. The purpose of this policy is to affirm the CTS commitment to comply with international trade controls and to allocate responsibility for maintaining compliance.

## **RESPONSIBILITIES**

Under the Export Administration Regulations, an export includes not only the shipment of items out of the U.S., but the release of technology or software to a foreign person in the U.S. or the release of technology or software in a foreign country. Therefore, an e-mail sent overseas or a meeting at which technical information is disclosed to a non-U.S. citizen could constitute an export subject to the regulations. The re-export of a covered item from one foreign country to another may also be treated the same as an export from the U.S. Exports to particular individuals, companies, and countries may be prohibited all together or may require an export license depending on the nature of the transaction. The aspects of each transaction must be examined in order to determine how the regulations will apply.

Items being exported must be accurately classified under the regulations. CTS is charged with the duty to know the customer to whom an item is being exported, the end-use to which an item will be put, and its final destination. CTS must be aware of potential military (dual-use) applications for an item being exported. Computers and electronic components in particular may have potential military applications which make those items subject to the regulations even though they are not marketed for military use. Company employees are required to screen all transactions for "Red Flags" which would suggest possible illegal activity. Moreover, CTS must appropriately document export transactions and retain the documentation as required by the regulations.

Employees with export control responsibilities must make appropriate inquiries within and outside CTS in order to obtain the information necessary to correctly classify an export transaction. Employees should not "self-blind" by suggesting answers to respondents which would appear to make a transaction less problematic. Moreover, responsibility for the performance of these duties cannot be shifted to third parties such as freight forwarders. Employees are responsible for communicating CTS' policy regarding export compliance to agents and independent contractors with whom they work and who may be involved in export transactions.

Employees must also be aware of U.S. anti-boycott laws. These laws prohibit U.S. companies from participating or cooperating with the boycott of countries which are friendly to the U.S. or refusing to do business with a U.S. person on the basis of race, religion, sex or national origin. Most of the enforcement activity in this area has concerned the Arab boycott of Israel, but employees must guard against conduct which may discriminate against any group. Employees should be alert to the possibility that routine documents such as letters of credit and shipping documents may contain boycott provisions and that inquiries regarding CTS suppliers and customers may be boycott related. The regulations require that any boycott related requests, including requests for information, must not be agreed to and must be reported to the U.S. Department of Commerce.

General Managers are responsible for designating an employee or employees who will have primary responsibility for the international trade control compliance of that business unit. Those with job responsibilities related to export transactions are expected to participate in training with respect to export transactions and boycott issues which may arise in the performance of their job responsibilities. It is important to remember that even inadvertent violations of international trade controls could subject CTS to substantial fines and penalties as well as possible loss of export privileges. Any questions or concerns regarding export classification, suspicious transactions and boycott-related requests should be referred to the CTS Legal Department.

## **ETHICAL STANDARD NO. 6:**

## **GIFTS, GRATUITIES AND POLITICAL CONTRIBUTIONS**

CTS requires its employees to use only lawful business practices in promoting CTS' business or position to any governmental authorities, foreign or domestic. Employees of CTS are prohibited from making or offering payments or gifts to customers, governmental officials, or political parties or candidates for the purpose of inducing or influencing any action by such entities. Customer policies with respect to the acceptance of entertainment, gifts or other business courtesies are to be strictly respected.

### **POLICY**

No employee of CTS or any subsidiary or controlled affiliate acting on behalf of CTS shall, in violation of the Foreign Corrupt Practices Act (FCPA) or any applicable law, make or offer to make directly or indirectly, through any other person or firm, any payment of anything of value (money, gift, contribution, etc.) to:

- Any person or firm employed by or acting for or on behalf of any customer, whether private or governmental, for the purpose of inducing or rewarding any favorable action by the customer in any commercial transaction; or any governmental entity, for the purpose of inducing or rewarding any action (or the withholding of any action) by a governmental entity or authority in any governmental matter; or
- Any governmental official, political party or official of such party, or any candidate for political office, for the purpose of inducing or rewarding favorable action (or the withholding of action) or the exercise of influence by such official, party or candidate in any commercial transaction or governmental matter.

CTS will employ only reputable, qualified individuals and firms who agree to be bound by and act in accordance with the provisions of this policy, to act as consultants, agents, sales representatives or distributors, and only under compensation arrangements which are customary and reasonable in relation to the services provided.

When customer organizations, governmental agencies or others have published policies intended to provide guidance with respect to the acceptance of entertainment, gifts or other business courtesies by their employees, such policies shall be strictly respected.

The provisions of this policy are not intended to apply to ordinary and reasonable business entertainment and/or gifts of an insubstantial value, customary in local business relationships and not violative of the law as applied to that geography or environment.

### **RESPONSIBILITIES**

All employees must use only lawful business practices in CTS' commercial operations or activities and in promoting CTS' business or position to any governmental authorities, foreign or domestic. Employees must avoid putting themselves in situations where the appearance of improper activities, whether real or perceived, could damage CTS' reputation or otherwise result in a violation of law or other serious consequence to CTS as well as to the employees involved. All CTS officers, managers and employees are responsible for compliance with this policy.

### ***ETHICAL STANDARD NO. 7:***

### **CONFLICTS OF INTEREST**

CTS expects its employees to serve the company with undivided business loyalty. Employees must avoid any relationships which create a perceived or actual conflict between the employee's obligation to the company and the employee's personal self-interest.

### **POLICY**

CTS recognizes and respects the right of employees to take part in financial, business and other activities outside of their jobs, provided that these activities are lawful and are free of conflicts with and do not detract from, their responsibilities as Company employees. Employees must not as a part of engaging in any outside activities, misuse Company resources or influence, or discredit the Company's good name and reputation in any way. Employees must never permit their personal interests to conflict,

or create the appearance of conflicting with the interests of the Company or its customers. CTS employees should be free from any personal relationships, activities, or financial affairs that might influence any business decisions or recommendations they might make that affect the Company.

## **RESPONSIBILITIES**

A conflict of interest exists in any situation in which an employee uses his or her contacts or position in the Company to advance interests other than those of the Company, such as his or her private business or financial affairs or those of a friend or relative whether or not at the actual expense of the Company. It is not possible to list every situation which might result in a conflict of interest. The following list represents the types of business/personal dealings where conflicts of interest are most likely to occur:

- Investments in suppliers, customers, competitors
- Outside employment (part-time, weekends, etc.) with a supplier to CTS
- Receipt of gifts from suppliers, customers or competitors
- Serving as an officer or director for a banking institution or business organization
- Potential conflict resulting from a family member or close friend working for or owning a supplier of CTS
- Any outside activity or relationship which could reasonably be interpreted as being in conflict with the interests of the Company.

The mere existence of one of the above situations will not necessarily create an actual conflict of interest. How the situation is handled, however, might create a conflict. All such situations should be immediately reported to management. Should the Company conclude that an actual or potential conflict exists, the employee will be asked to either remove himself/herself from the situation creating the conflict or the Company will take the necessary steps to insure that the employee is not involved in any decision concerning a business relationship between CTS and the affected organization.

The Company reserves the right to make the final determination concerning actual or potential conflicts of interest. All information disclosed to the Company will be kept confidential.

## ***ETHICAL STANDARD NO. 8:***

### **INSIDER TRADING AND STOCK TIPPING**

Insider trading, which involves the purchase or sale of a company's securities while in possession of material nonpublic ("inside") information about that company, is prohibited by federal law, as is stock "tipping," which involves the disclosure of inside information about a company to others who purchase or sell the securities of that company. Illegal activity with respect to insider trading and stock tipping is strictly prohibited by CTS.

## **POLICY**

### Definitions

"Inside information" means material, non-public information in the possession of a CTS director, officer or employee.

"Material" means information that a reasonable investor would be likely to consider important in deciding whether to buy, sell or hold a security. To minimize the risk of misjudging whether a reasonable investor would consider particular information to be important, a director, officer or employee should assume the information is important if it does, or would, affect his or her own consideration of whether to buy, sell or hold the security in question.

"Nonpublic" means that the information either has not been disclosed to the public or, if it has been disclosed, the time elapsed since the disclosure has not been sufficient for investors to fully evaluate the information.

"Security" means any stock, bond, note, debenture, put or call option, or other instrument commonly known as a security.

### General

CTS strictly prohibits any director, officer or employee from engaging in any activities that would violate the laws prohibiting insider trading and tipping. Penalties for violations of laws prohibiting insider trading and tipping are severe. Employees violating these laws could face criminal penalties of up to \$1 million in fines and ten years in prison for each violation. In addition, violations of these laws could subject CTS to significant civil liability and fines. Misuse of inside information in violation of this policy will result in disciplinary action by CTS.

## **RESPONSIBILITIES**

In order to avoid violating laws related to insider trading and tipping, each CTS director, officer or employee who has inside information about CTS, or about another company that he or she has obtained by virtue of his or her position with CTS, is expected to abide by the following guidelines:

- If you have inside information about CTS, or about another company, that you obtained in your position with CTS, do not buy or sell the securities of CTS or of the other company.
- Do not trade in the securities of CTS or of the other company from the time inside information is known to you until three trading days after it has been publicly disclosed.
- Do not recommend or suggest that anyone else buy, sell or hold the securities of CTS or of the other company while you have inside information.
- Never disclose inside information to anyone outside CTS, including family members, except when you reasonably believe such disclosure is needed to enable CTS to carry on its business properly and effectively, and you have a reasonable expectation that the person to whom the information is disclosed will keep it in confidence.
- Within CTS, only discuss or distribute inside information in the ordinary course of business and when you have no reason to believe that the information will be misused or improperly disclosed by the recipient.
- Directors and officers of CTS should be aware that they are subject to additional trading restrictions in CTS stock and that all trades in CTS stock must be cleared in advance by the Corporate Secretary or General Counsel.
- If you are in doubt as to whether trading in the securities of CTS or of another company, or disclosing information about CTS or another company which was obtained in your position with CTS, would violate this policy or the law, do not trade or disclose the information without prior legal review and approval.

### ***ETHICAL STANDARD NO. 9:***

## **SUPPLIER RELATIONSHIPS**

CTS is committed to the fair and impartial treatment of all persons and companies with whom it has business relationships, including its customers, suppliers and distributors. Employees are expected to avoid situations where the giving or accepting of gifts or entertainment could be construed as an attempt to unduly influence a business relationship.

## **POLICY**

An employee should not own any substantial amount of stock or other financial interest in, or participate in the business of, an actual or potential supplier of goods or services to the Company, if that employee is directly or

indirectly involved in the Company's business with the supplier. The definition of what constitutes a "substantial" amount of stock or other financial interest will depend on the particular facts and circumstances in any given case.

An employee should not accept gifts from any actual or potential supplier of goods or services, other than non-cash gifts of an insubstantial value which are generally used for promotional purposes by the supplier. Participating in business-related functions, such as lunches or other meals, with a supplier, is a normal and permissible business practice. However, each employee should exercise care that the value and frequency of such occasions are not excessive.

An employee should not seek or accept loans from any supplier or any person or entity seeking to do business with the Company, except in the case of loans made by financial institutions in the normal course of business at interest rates prevailing at the time of the borrowing.

An employee should not purchase items for personal use on a discounted or wholesale basis from actual or potential suppliers of goods and services to the Company, unless the personal purchases are made pursuant to a Company-sanctioned supplier discount program.

When suppliers have published policies intended to provide guidance with respect to the acceptance of entertainment, gifts or other business courtesies by their employees, such policies shall be strictly respected.

## **RESPONSIBILITIES**

All CTS employees are responsible for avoiding activities which could damage the company's reputation or its relationships with its actual and potential suppliers. Employees should not provide or accept gifts of more than nominal value or entertainment of greater than usual or customary expense. Employees should also make sure that their spouses or other family members do not accept gifts or other benefits from CTS' suppliers.

### ***ETHICAL STANDARD NO. 10:***

## **COMMITMENT TO QUALITY**

CTS is committed to achieving Total Customer Satisfaction through manufacturing and operational excellence. Excellence in product quality, delivery, value and service can be achieved only if each and every employee is dedicated to these objectives.

## **POLICY**

It is CTS' goal to manufacture products that are free from defects in material and workmanship, comply with agreed-upon specifications and customer requirements, meet customer needs and exceed customer expectations. CTS is committed to the continual improvement of all systems that affect customer satisfaction. CTS' endorsement of the elements of ISO 9000 and TS-16949 reflect this commitment.

It is CTS' policy continually to audit, review and improve its systems. This is accomplished through benchmarking against other "best in class" systems, seeking customer input, and through employee education and training.

## **RESPONSIBILITIES**

Quality is the responsibility of every CTS employee. Each employee is expected to comply with CTS' quality systems and procedures and applicable quality standards and regulations. All operations shall be performed safely and in an efficient and cost effective manner, with constant vigilance as to quality issues that may arise.

Each and every employee is expected to strive for continual improvement in personal performance and in CTS' procedures and systems. Each employee's commitment to excellence helps ensure that CTS' products meet the highest standards for quality, value and timely delivery.

#### **ETHICAL STANDARD NO. 11:**

### **DEVELOPMENT AND PROTECTION OF INVENTIONS AND OTHER INTELLECTUAL PROPERTY**

CTS vigorously protects all CTS intellectual property, whether in the form of patents, trade secrets, copyrights, trademarks or confidential information, and expects its employees to do the same.

#### **POLICY**

CTS is a technology driven company. Rigorous protection of intellectual property, whether in the form of patents, trade secrets, copyrights or trademarks, is an integral and critical part of CTS' business operations. The CTS patent portfolio is one of the corporation's most valued assets. It is critical that CTS maintain a leadership intellectual property position in its technology areas.

#### **RESPONSIBILITIES**

##### **I. Patents**

###### **A. General**

Employees are encouraged to submit invention disclosures to their area manager, local patent committee chair or the Intellectual Property Practice Group (IP Group) of the Legal Department for evaluation. CTS welcomes invention disclosures from employees whether their primary function is technical or non-technical and without regard to rank or seniority.

An agreement to assign inventions and patents to CTS is mandatory for all employees. Exemptions from such agreements to assign may be authorized for contracted consultants in those circumstances when business objectives are better served by such action. Employees shall execute such declarations, assignments and other patent related documents as may be necessary in the course of invention evaluation, patent prosecution, or protection of patent or analogous property rights, to assure that title in such inventions is held by CTS. Any use of contract engineers or designers or of outside development houses must be reviewed by the IP Group to ensure proper treatment of IP rights.

###### **B. Pre-release IP Review**

Prior to disclosing an idea or invention outside of CTS, employees should ensure that a Confidentiality Agreement is executed covering the disclosure. Employees should disclose to the IP Group ideas and concepts that have not previously been incorporated in CTS products. This includes entire products as well as features that are new to CTS. It is especially valuable to disclose new elements that are known to be incorporated in products produced by other companies. The IP Group uses these disclosures to review for both patentability as well as ensuring the use will not infringe the valid IP rights of another. The earlier this review is performed in the product development cycle, the easier it is to avoid of potential issues. All employees are strongly encouraged to disclose ideas and concepts as early in the product development process as is feasible.

Employees involved in product, process and related technology development are encouraged to keep accurate, dated notes (or other records), describing their ideas and developments in engineering notebooks. These notebooks may eventually be used in court or the U.S. Patent and Trademark Office to support CTS' ownership in that invention. Engineering notebooks may be obtained from area managers or the Legal Department. These notebooks are the property of CTS and must be returned at the time of termination of employment or earlier if requested by CTS.

## C. IP Review

In addition to ensuring all product designs are properly reviewed for patentability and right-to-use issues early in the development process, employees must also ensure that patents are properly pursued on inventions and technology important to CTS. The patent attorney responsible for a case will request assistance including reviews, drafting of supporting documentation, identification of distinctions over prior patents and publications, and submission of any relevant patents or publications of which the inventor is aware. Inventors must timely complete reviews and documents needed in support of patent applications as requested and directed by the IP Group.

## II. Copyrights

### A. Identification of Copyrights for Ownership

Copyright protection is available for any original work of authorship that is fixed in a tangible medium. Much of the work created by CTS is subject to copyright protection. A copyright notice is not required on a work in order to have the benefits of copyright ownership. Certain works at CTS should be identified as subject to copyright protection to ensure knowledge by recipients of the information. These include: engineering drawings, any source code that is developed and shared outside CTS, public reports and articles submitted by CTS employees.

### B. Outside Development

As a general rule, copyrightable works developed by an outside supplier must be developed under an explicit agreement assigning rights to CTS in order for CTS to own the copyright to the work. Even though CTS is paying for an outside supplier to draft or prepare a work subject to copyright protection, CTS will likely not be the owner without a specific assignment. Absent copyright ownership, CTS may be unable to use or make copies of the work. It is therefore important that the IP Group review any agreements for the development of such works. These include: photos for sales brochures, software developed for CTS, web design efforts and any other similar original works.

### C. Other Copyrights

CTS has a policy of not knowingly infringing any valid IP rights. This specifically includes copyright. General Policy 22 prohibits the unauthorized reproduction of software. Similar rules apply to all other copyrighted works. Employees shall assume that all original works are subject to copyright and not copy such works without permission of the copyright holder. If an employee has a question about a specific article or work, it should be referred to the IP Group for a proper determination.

## III. Trademarks

### A. Identification of marks

Trademarks can serve to identify products and services associated with CTS. These can frequently assist our customers in associating positive features of our products with our product names and categories. Whenever a product is being marketed and a name provides a business advantage, that name should be identified to the IP Group prior to any public use.

### B. Searches and clearance studies

After a name is identified to the IP Group, the responsible attorney will undertake a search of similar names registered or in use on other products or services. The responsible attorney will provide details as to the potential for registering the name along with the relative advantages of alternative usage of the mark.

## IV. Trade Secrets and Confidential Information

## A. General

Trade secrets are considered to be any piece of information or idea that has economic value and derives that value from being a secret. Examples are processes that aid in the manufacture of products but are not known outside CTS and customer lists. Employees have a duty to keep all CTS information confidential and to disclose such information only to other CTS employees with a need to know. Information identified as trade secret should also be subject to additional limitations including limited access to the information (even among CTS employees) and storage of information in areas (or drives, if in a computer medium) that have access limited to authorized personnel. Such information should also be well documented with a copy delivered to the IP Group.

## B. Disclosure

CTS employees should disclose all new inventions and ideas. This is true whether or not the inventions or ideas are believed to be patentable. For some inventions it is difficult to identify infringements by other companies; other inventions may provide a significant advantage to CTS, even though they may not be patentable. These disclosures will typically be treated as trade secrets by CTS. The IP Group, in conjunction with the patent screening and review committees, will review these disclosures and determine whether to hold them as trade secrets. Employees should disclose all such ideas to ensure they are properly reviewed.

## C. Continuing Duties of Confidentiality

The duty to keep CTS confidential and trade secret information in confidence extends beyond termination of employment. Employees must keep this information in confidence and not disclose or use the information at any later places of employment, regardless of whether the new employment competes in any way with CTS.

Similarly, CTS expects employees to keep information, received under a duty of confidentiality from any source prior to employment with CTS confidential and not disclose or use such information at CTS. Any questions regarding disclosures should be referred to a member of the IP Group.

## ***ETHICAL STANDARD NO. 12:***

### **FINANCIAL CONTROLS AND RECORDS**

CTS is required by law to maintain certain types of corporate records. CTS requires that such corporate records be kept in a manner that fairly and accurately reflects the business transactions and other information that is being recorded. Such records must also be preserved and retained, as required by law. CTS also maintains a system of internal accounting controls. Any improper handling of CTS funds and assets is strictly forbidden. Employees who believe that improper financial reporting or handling of funds or assets has occurred are expected to report their concerns either to their supervisor, any member of management, the General Counsel, the director of the corporate internal audit department, or, if they prefer, to the Chairman of the Audit Committee of the Board of Directors.

### **POLICY**

CTS has a responsibility to properly record, preserve and report financial information in an accurate and timely manner to investors, government agencies, shareholders and others. Federal securities laws require CTS to maintain accurate reasonably detailed records which fairly reflect CTS' transactions and the acquisition/disposition of assets. CTS is also required to maintain a system of internal accounting controls. The purpose of this policy is to describe the standards to be maintained in order to meet these obligations.

It is the policy of CTS Corporation to follow generally accepted accounting principles and standards, (or equivalent in foreign jurisdictions), as well as all applicable laws, regulations and CTS practices for accounting and financial reporting. Furthermore, it is CTS' company policy to maintain complete and accurate records and accounts to accurately reflect all business transactions and the acquisition/disposition of CTS assets. Additionally, CTS will only release financial information upon proper authorization and then only after due consideration to the interest of CTS as a whole.

## **RESPONSIBILITIES**

In furtherance of this policy, all CTS employees shall be responsible to:

- Follow all accounting, reporting and controllership procedures established by the Senior Vice President and Chief Financial Officer or his or her designee.
- Be accurate, timely and complete in preparing and maintaining all required records and reports.
- Obtain all required management approvals before releasing any financial information outside CTS (refer to CTS General Policy No., 3 “Dissemination of Information” for specific guidance).
- Insure that all financial records and reports, whether in hard copy or electronic/computer-based format, are securely maintained.
- Grant CTS internal and external auditors and other authorized individuals access to all appropriate CTS records and provide them with accurate and complete information as they may from time to time require.
- Promptly report any concerns about possible violations of this policy to the Senior Vice President – Chief Financial Officer or to the CTS Legal Department.

### ***ETHICAL STANDARD NO. 13:***

## **DISCLOSURE OF INFORMATION**

CTS is committed to providing accurate information to the public in a timely, orderly and consistent manner. CTS will comply with applicable laws and regulations regarding the selective disclosure of material, nonpublic corporate information.

## **POLICY**

CTS prohibits the selective disclosure of material, nonpublic corporate information to securities market professionals, investors and potential investors, unless the communication is made:

- To a person who owes a duty of trust or confidence to the Company
- To a person who has signed a confidentiality agreement;
- To a rating agency, for the sole purpose of developing a credit rating that will be publicly available; or
- In connection with a securities offering that is exempt from Regulation FD requirements.

Information is “material” if there is a substantial likelihood that a reasonable shareholder would consider it important in making an investment decision. “Nonpublic” information is any information that has not been disseminated in a manner reasonably designed to make it generally available to investors.

## **RESPONSIBILITIES**

The Chief Executive Officer and the Chief Financial Officer have been designated as the spokespersons for the Company. The Chief Executive Officer may from time to time designate other persons to speak on behalf of the Company with respect to a specific issue or to respond to specific inquiries from the investment community or the media. The individual with primary responsibility for the Investor Relations function (hereinafter, “Investor Relations”) shall be responsible for scheduling and preparing presentations to the investment community and the media. No one other than a designated spokesperson is authorized to speak on behalf of the Company to the investment community or to the media. Any unauthorized person who receives an inquiry from the investment community or the media must immediately refer the inquirer to a designated spokesperson.

CTS will disseminate material information through a Form 8-K filing or by the use of another method, such as a news release, that is reasonably designed to provide broad, non-exclusionary distribution of the information to the public. The Chief Executive Officer, Chief Financial Officer and Vice President and General Counsel shall determine the method of disclosure. If a Form 8-K filing is used, then material information will not be disclosed to a select audience until CTS has received confirmation that the Form 8-K has received a “filing date” on the SEC’s EDGAR electronic filing system that is no later than the date of disclosure to the select audience. If a method of disclosure other than a Form 8-K is utilized, then the material information will be publicly disseminated either before or, under

certain circumstances, simultaneously with, the communication of such information to selected members of the investment community.

The reporting of the Company's disclosures will be monitored by Investor Relations, to ensure accurate reporting and to take corrective measures, if necessary. All new material disclosures will be incorporated into the Company's disclosure record, which shall be maintained by Investor Relations.

In the event that, despite the precautions taken by the Company, there occurs an unintentional disclosure on a selective basis of material, nonpublic information, the Company will make prompt, public disclosure of the disseminated information as soon as reasonably practicable. Commencing from the time that a senior official of the Company (who knows, or should know, that the information disclosed was material and nonpublic) learns of the selective disclosure, such public disclosure shall occur within twenty-four hours or by the opening of the next day's trading on the New York Stock Exchange, whichever is later.

## **GENERAL EMPLOYEE RESPONSIBILITIES**

Each CTS employee is expected to::

- Learn how each CTS Ethical Standard and CTS policy relates to your job, and follow its requirements.
- Know that violation of any CTS policy by a CTS employee will result in disciplinary action, up to and including termination of employment.
- Promptly report any concerns about potential or actual violations of any CTS policy. Concerns may be reported anonymously, twenty-four hours per day, toll free or via internet. [Employees are provided with specific instructions for such reporting.]
- Use good judgment and common sense and demonstrate a high degree of personal integrity and honesty at all times, even in situations that are not specifically addressed by this Code of Ethics or by a CTS policy.

## **IF YOU NEED ASSISTANCE . . .**

If you need more information or have questions about any CTS policy, or if you need to report a concern, please contact your supervisor or any member of the management team at your facility, or contact the Vice President and General Counsel, or another lawyer in the CTS Legal Department, at the CTS Corporate office, tel. no. (574) 523-3800.

## **WHAT SUPERVISORS AND MANAGERS NEED TO KNOW**

In most cases a CTS supervisor or manager will be the first person contacted by an employee who believes that a CTS policy has been, or may be, violated. Supervisors and managers therefore play a special role in assuring compliance with this Code of Ethics, CTS policies and applicable laws and regulations. As a CTS supervisor or manager, you must:

- Become sufficiently familiar with CTS' policies so that you can inform your subordinates about the existence of policies that relate to their jobs. You should be able to explain the general principles of relevant policies to employees. Tell your subordinates that you expect them to follow the policy.
- Be perceptive as to potential problems or compliance issues that could arise in your area of responsibility.
- Don't "look the other way" if you learn about a potential or actual problem or issue; you have an obligation to report it immediately so that prompt action can be taken, if necessary.
- Be aware that violation of any CTS policy by a CTS employee will result in disciplinary action, up to and including termination of employment.

## **IF YOU NEED ASSISTANCE . . .**

If you need more information or have questions about any CTS policy, or if you need to report a concern, please contact your manager or another member of the management team at your facility, or contact the Vice President and General Counsel, or another lawyer in the CTS Legal Department, at the CTS Corporate office, tel. no. (574) 523-3800.

## QUESTIONS AND ANSWERS

***Q. If I see someone violating a CTS policy, what should I do?***

A. In most cases, the first thing that you should do is talk to your supervisor about what you saw or heard. If there is a reason why you feel uncomfortable discussing the issue with your supervisor, then you should approach another member of the management team at your facility or business unit about this issue. Often, the Human Resources Manager is the person who employees will want to contact. However, if there is another member of management with whom you are more comfortable, then talk to that person about the specifics of the situation that you have encountered.

***Q. What if I talk to my supervisor about a policy issue but I am not satisfied with his or her response?***

A. Contact another manager at your facility or business unit. If, after discussing the situation with the manager, you still have questions or concerns, then call the CTS Corporate office, tel. no. (574) 523-3800, and ask to speak with the General Counsel or with another lawyer in the CTS Legal Department.

***Q. Can I get in trouble if I report misconduct?***

A. CTS prohibits retaliation against any individual who in good faith reports violations of CTS' policies and ethical standards or who cooperates in an investigation of such violations or other misconduct. Retaliation should be reported immediately. Retaliation will not be tolerated and will subject the violator to disciplinary action.

***Q. I'm a supervisor at a CTS business unit. If an employee comes and tells me about a possible violation of a CTS Ethical Standard or a CTS policy, what should I do next?***

A. Don't try to investigate the matter yourself. You should contact your own manager or the General Manager of your facility, if appropriate. That manager should then contact the CTS Legal Department. If, under the specific circumstances, it seems more appropriate for you to contact the CTS Legal Department directly, then do so. The Legal Department will advise both you and, if applicable, your manager or the General Manager, as to how the investigation should be handled.

***Q. A competitor told me that "we're killing each other by trying to take away each other's long-standing customers with lower prices." She suggested that both our companies would be better off if we stuck to selling to our own long-term customers. Can we do this?***

A. No. You must not enter into agreements or understandings with competitors to allocate customers, territories or product lines. Like price-fixing, such agreements can result in criminal prosecution of you individually, as well as the company. Even suggestions to a competitor to fix prices or to divide up customers, the territory or product lines can result in criminal prosecution. Not only should you immediately and clearly reject the competitor's suggestion, but you should contact a lawyer in the CTS Legal Department immediately to report the competitor's request.

***Q. A former colleague of mine at CTS now works for a competitor. He called me the other day and wants to have lunch with me. Is it okay if I go?***

A. It's all right to have lunch with your former colleague, but limit your discussion to non-business subjects. Report the contact with the competitor's employee to the Vice President and General Counsel at tel. no. (574) 523-3800, so that it can be properly documented.

***Q. We have one product that is selling very well, but another one that is not. One of our sales and marketing people came up with the idea that we could require customers who buy the hot-selling product to also buy the other product. What do you think of this idea?***

A. Most likely, it's illegal. It can be a violation of antitrust laws to condition the sale of one product on the purchase of another. You should immediately contact a lawyer in the CTS Legal Department, who will analyze the facts and circumstances of this specific situation and research applicable law.

***Q. Sometimes a customer will tell me that our prices are higher than a competitor's prices. Can I ask the customer for copies of my competitor's proposals?***

A. Yes. You can receive such information from customers. However, you should carefully document in your files the source of any competitive information, to avoid any later allegations that the information was obtained through improper communication with a competitor. You may want to contact the CTS Legal Department regarding how to document this properly.

***Q. Sometimes at trade association meetings, the talk turns to the state of the market and where people expect prices to go. Is it okay to participate in these discussions?***

A. No. You should not participate in or even remain at a meeting of competitors at which current or future prices are discussed. You should clearly voice your objections to such discussions and leave the meeting. When you return to CTS, call the CTS Legal Department and report the incident to the Vice President and General Counsel.

***Q. If a supplier offers me two tickets to a ballgame, do I have to refuse to accept them?***

A. Usually, picking up the check, or letting someone else pick up the check, at a business lunch or dinner, or a trip to a sporting event or to the theater, is permissible. Courtesies of this type are of nominal value and are not likely to influence decisions about business issues. Any gifts or entertainment that would unduly influence a business relationship are prohibited. Gifts of money are never permissible under any circumstances. In general, you should not provide or accept gifts of more than nominal value or entertainment of greater than usual or customary expense. You should not accept gifts or entertainment of even nominal value if you know or have reason to believe that the gift or entertainment is being provided only to obtain a favorable business decision or order.

***Q. Can I own stock in a company that is a supplier to CTS? If so, is there a limit to how much stock of a CTS supplier I can own?***

A. An employee should not own any substantial amount of stock or other financial interest in, or participate in the business of, an actual or potential supplier of goods or services to the Company, if that employee is directly or indirectly involved in the Company's business with the supplier. The definition of what constitutes a "substantial" amount of stock or other financial interest will depend on the particular facts and circumstances in any given case. If you are in doubt, contact the Vice President and General Counsel with the specifics of the situation before purchasing the stock.

***Q. I'm thinking of doing some engineering consulting work on the side, while still employed at CTS, to supplement my income. Is there anything wrong with that?***

A. Yes. In general, CTS expects its employees to devote their full attention and their talents to their jobs with CTS. Moreover, if you are doing work for others that is the same or similar to the work that you are doing for CTS, you may be using knowledge and skills acquired as a CTS employee to pursue your outside business interests. This is a clear conflict of interest. There could also be an issue as to whether you are misappropriating CTS proprietary information or other intellectual property. Activities of this type could result in the termination of your employment with CTS.

***Q. A female salesperson told me, her supervisor, that the buyer for one of our major customers keeps asking her for a date. She says this makes her very uncomfortable. Since the buyer isn't a CTS employee, do I have to do anything about this?***

A. Yes. The female salesperson is a CTS employee who has complained to you that she is being sexually harassed. CTS can be held liable if you do nothing about her complaints. You must immediately report her complaint so that an investigation can be performed and appropriate action can be taken. CTS' obligations with respect to ethics and legal compliance sometimes extend beyond the boundaries of our own property and our own work force. Use your good judgment and common sense in situations where it appears that an unethical, immoral or

illegal act may be taking place. If you need assistance, contact your Human Resources Manager or the CTS Legal Department.

***Q. What if an employee tells me about a situation that sounds like a policy violation, but then asks me to keep the information confidential. The employee specifically says to me, "Look, you didn't hear this from me."***

A. You must tell the employee that, as a CTS supervisor or manager, you have an obligation, as part of your job, to report what the employee has told you. You may tell the employee that, to the extent possible, you will try to keep his or her identity confidential, but you must explain that investigation of the situation is likely to mean that the employee will not be able to remain anonymous. Do not ever promise confidentiality to an employee who reports a possible violation of the law or of a CTS policy or rule.

***Q. Our production managers disagree about what type of guarding device to install on a piece of equipment, so as to best comply with OSHA regulations. Who can help us interpret the regs?***

A. The Corporate Environmental, Health and Safety Specialist, who reports to the Manager Environmental Services, can provide you with assistance in interpreting OSHA regulations and in dealing with safety issues, including guarding. The CTS Legal Department works closely with the people in the Corporate EHS Department to make sure that CTS complies with all laws and regulations related to health and safety. You can reach the Corporate Environmental, Health and Safety Specialist and the lawyers in the CTS Legal Department by calling the CTS Corporate office at tel. no. (574) 523-3800.

***Q. If a minor policy violation has occurred but no real damage has been done, is it necessary to take any disciplinary action against the employee involved?***

A. Yes. Even if nothing happened this time, you cannot risk having this employee continue to conduct himself in a manner that could result in damage to CTS' reputation or in monetary loss to CTS. Corrective action should be taken so that the employee understands why what he did was improper and recognizes that such conduct in the future could cost him his job with CTS. Talk to your Human Resources Manager and/or contact the CTS Legal Department concerning the type of disciplinary action that would be appropriate, based on the specific facts and circumstances.

***Q. I work in the accounting department at a CTS business unit. In reviewing the records related to a multi-million dollar project, I noticed a small discrepancy between a consultant's invoice and the amount we actually paid. Since the discrepancy is very small in the context of the total project, do I need to take any action to report the discrepancy?***

A. Yes. Discrepancies of even small amounts may indicate serious problems if they reflect deliberately dishonest behavior.

***Q. Does CTS use child labor in foreign countries where this is an accepted business practice?***

A. No. CTS will not utilize child labor, even in geographic locations where this may be an accepted business practice.