



Conflict Minerals – Policy Statement

Introduction

Armed conflict and human rights abuses in the Democratic Republic of Congo (DRC) have been linked to revenues derived from the mining and trading of tin, tantalum, tungsten and gold – conflict minerals. Continuing attention to the sourcing of “conflict minerals” has encouraged electronics and other product manufacturers and retailers to pay closer attention to the source of the metals in their products. Products manufactured by PneuDraulics, Inc. (PDI) contain various metals, including but not limited to tantalum, tin, tungsten and gold, which originate in mines around the world. PDI is not engaged in the procurement of conflict minerals directly, but we are in the process of tracing our supply chain for sources that may be associated with conflict. We support the efforts of the Global e-Sustainability Initiative (GeSI, www.gesi.org) and the Electronic Industry Citizenship Coalition (EICC, www.eicc.info) Extractives and Due Diligence Work Groups in certifying conflict-free smelters. These organizations are involved in the development of the Conflict Free Smelter (CFS) program to enable sourcing of conflict-free minerals. The progress of their work is published at www.conflictreesmelter.org/. PneuDraulics, Inc. (PDI) and its employees are concerned about the use of natural resources to fund armed conflict and human rights abuses in the DRC. While we believe that it is unlikely that any Conflict Minerals or their derivatives are used in PDI products, it will take time to collect the necessary information that will allow us to certify that such is the case. PDI believes it important to understand the that EICC and GeSI members do not want a de facto ban of minerals originating in the DRC and adjoining countries. There are hundreds of thousands of legitimate miners and millions of people that depend on artisanal mining from the DRC for their livelihood.

Dodd-Frank Wall Street Regulation and Consumer Protection Act

Within the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law by President Barack Hussein Obama on July 21, 2010, are new requirements for manufacturers of products containing tin, tantalum, gold, tungsten, or any other “conflict metals”. Specifically, Section 1502 of the new law imposes direct Securities and Exchange Commission (SEC) reporting requirements on any publicly traded companies whose products contain metals derived from conflict minerals. The law requires these issuers to examine their supply chain to determine if they manufacture or contract to manufacture products that contain conflict minerals that are necessary to the functionality or production of those products. Conflict minerals are mined (and/or illegally taxed on trade routes controlled by non-government military groups or unlawful military factions) in the Democratic Republic of Congo (DRC) which provide revenue to groups committing violence in the DRC and nine adjoining countries: Tanzania; Zambia; Republic of Congo; Central African Republic; Angola; Uganda; Rwanda; South Sudan and Burundi. Companies will be required to submit a due diligence plan with their annual SEC report.

Dodd-Frank Wall Street Regulation and Consumer Protection Act (continued)

The SEC initially targeted April 17, 2011 to promulgate regulations to put this law into practice – that schedule was delayed and it is important that all participating entities question any source published prior to August 22, 2012 – this is the date the SEC’s Final Rule was adopted which amended and clarified prior interpretations of the law. Although reporting requirements only apply to companies required to report to the SEC, these requirements filter through the entire supply chain.

Important exemptions from the term “necessary to production”

This Act applies to your public company if your product contains conflict minerals that are “necessary to the functionality or production” of products that you manufacture or contract to be manufactured. Guidance from the SEC on this sentence includes that to be considered “necessary to the production” of your product, a conflict mineral must be both *contained in* the product and *necessary* to the product’s production. Accordingly, it is not considered “necessary to the production” of your product if the conflict material is used as a catalyst but is not actually contained in the product. Similarly excluded are conflict minerals in tools and machinery that contain conflict minerals and are used in production; they are only subject to this rule if the conflict minerals are also present in the product.

What is PneuDraulics, Inc. doing to prevent the introduction of Conflict Minerals into Supply Chains?

PneuDraulics, Inc. is working with our suppliers and customers to help them understand and further our understanding of the issues surrounding Conflict Minerals. The most recent revision to the PDI purchase order terms and conditions www.pneudraulics.com/support/potermes.aspx includes our CONFLICT MINERALS EXPECTATION and policy direction consistent with the Organization of Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Within the scope outlined, PneuDraulics, Inc. does not purchase or use the Conflict Mineral columbite-tantalite, also known as coltan (the metal ore from which tantalum is extracted). PDI does purchase refined tin, gold and tungsten metal components. These purchases are made through the wholesale market from qualified and reputable suppliers; historically there has been no record to confirm the smelter source of such wholesale products. Accordingly, the PDI supply chain initiative with regard to Conflict Minerals leverages product compliance certifications as received and/or otherwise available from our first tier suppliers in order to directly research both the policies related to and evidenced compliance with Conflict Minerals laws and regulations. Systems are in place within PDI procurement to document, assess and review suppliers under our Quality Management System and this methodology is being revised to incorporate additional requirements of this regulation. Existing suppliers have been notified of our position and of our requirement to comply with this regulation.

PneuDraulics, Inc. uses the Conflict Minerals Reporting Template (Template), developed by GeSI and EICC to facilitate disclosure and the communications of information regarding smelters and refiners that provide material to a company’s supply chain. The Template assists PDI in our due diligence processes by supporting the request for, and receipt of, conflict minerals information from our supply chains. GeSI and EICC members have closely followed the development of Section 1502 and the SEC’s Final Rule and developed the Template to assist companies in meeting their obligations under the Final Rule.