

Code of Ethics and Business Conduct

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INTRODUCTION

Graco's Conduct of Business Policy

The Graco Inc. Board of Directors has adopted the following strategic policy statement:

Graco will conduct its business ethically and with integrity, and in compliance with all applicable laws and governmental regulations. Every employee will understand and follow [Graco's Code of Ethics and Business Conduct] and other company policies, comply with all applicable laws, and forego business opportunities that would compromise Graco's ethical standards. Management will provide training and advice on Graco's ethical standards and legal compliance.

This Code of Ethics and Business Conduct ("Code of Conduct") is intended to help Graco implement the above policy, and achieve its mission by protecting and enhancing Graco's worldwide reputation as an ethical and law-abiding company. It is also intended to help avoid violations of law that can be expensive and damaging to Graco. This Code of Conduct applies to the directors, officers and employees of Graco Inc. and all of its subsidiaries worldwide ("Graco"). This Code of Conduct, however, is not a contract of employment.

The Graco Inc. Board of Directors and management team have developed Graco's Mission, Vision, and Strategic Policy Statements, which set forth Graco Inc.'s basic purpose, goals, operating principles and values. The Mission, Vision, and Strategic Policy Statements are contained in a separate booklet and are incorporated herein by reference.

Your Responsibilities

Graco expects you to understand this Code of Conduct and comply with it and all applicable laws. You are also expected to conduct your Graco activities with honesty and integrity. Graco's Legal Department is available to help you comply with the law.

Of course, some activities will not be covered by this Code of Conduct or by law, and some laws set unacceptably low standards of conduct. When in doubt, you should be able to judge any action you are considering against the following standards and answer "yes" to each of these questions:

- Is it the "right thing" to do?
- If you were being affected by the action, is it what you would want to have done?
- Will the action stand public scrutiny? Would you be comfortable reading about it in tomorrow's newspaper?
- Will it protect and enhance Graco's reputation as an ethical company?

If you cannot answer "yes" to each of these questions, it is time to further evaluate the situation and discuss it with your supervisor or the Legal Department.

Global Application

This Code of Conduct applies to individuals and situations in all countries in which Graco and its subsidiaries conduct business. All employees are subject to and must abide by the laws and regulations of the country where they work. However, because Graco Inc., our parent company, is a U.S. corporation, U.S. law may apply to Graco conduct that occurs outside the U.S. If compliance with this Code of Conduct or U.S. law appears to conflict with local law, or if you are unclear about which laws apply to your activities, we encourage you to discuss the matter with the Legal Department.

Management Obligations

Graco's managers are responsible for creating a work environment in which the highest ethical standards are consistently practiced, and for assuring that Graco's Code of Conduct is followed and the law is obeyed. We all share a responsibility to protect Graco's reputation. It takes courage for an employee to raise an ethical issue. Therefore, Graco encourages its managers to maintain an open door policy for dealing with these issues.

Graco's ethics and business conduct program is under the supervision of the Audit Committee of the Board of Directors, which has approved this Code of Conduct. This Code of Conduct may not be waived, in whole or part, for any officer or director of Graco except by the Audit Committee, and any such waiver shall be promptly disclosed to Graco's shareholders. The Vice President and General Counsel is responsible for the program.

Help With Questions

No code can cover all situations. When you need help interpreting or applying this Code of Conduct, you can:

- Discuss the matter with your supervisor.
- Contact your Human Resource Manager or the Human Resources Department.
- Call the Legal Department at 612-623-6604, or send a fax to the Legal Department at 612-623-6944. Outside the U.S., first dial the applicable international access code.
- Write to:

Graco Inc.
Attention: Legal Department
P.O. Box 1441
Minneapolis, Minnesota 55440-1441

- Email: legal@graco.com

Reporting Suspected Violations

If you know of, or suspect, a violation of this Code of Conduct or any law, you are encouraged to promptly and fully report the matter. You may report your concern anonymously in all countries except those that prohibit anonymous reporting. You may report the matter via any of the following methods:

- Discuss the matter with your supervisor
- Call, write or email the Legal Department
- Email gracoauditcommittee@graco.com
- Email ethics@graco.com
- Call the Graco Ethics Hotline at 1-877-846-8913 (outside the U.S., first dial the applicable country code)

A third-party runs the Graco Ethics Hotline. The multi-lingual hotline is accessible around the world, is confidential, and may be accessed 24 hours per day.

All reports of suspected violations will be thoroughly investigated, confidentially to the extent possible. There will be no reprisals against any employee reporting a violation or suspected violation in good faith. In most instances, we will notify the reporter of Graco's action. If a complaint relates to accounting, internal auditing controls, or auditing matters, it will be reported to the Chair of the Audit Committee.

Discipline and Sanctions

This Code of Conduct is an essential part of Graco. Every director, officer and employee is required to follow it. Violations of this Code of Conduct may lead to reprimand, probation, demotion, temporary suspension or discharge. Condoning a violation of this Code of Conduct may also result in employee discipline. In certain cases, an employee who violates this Code of Conduct may have to reimburse Graco for losses. Violations of criminal law may be referred to the appropriate authorities for prosecution.

Additional Copies

For additional copies of this publication, contact your Human Resource Manager or the Legal Department. Request publication number 300624, Rev. E, "Code of Ethics and Business Conduct." This Code of Conduct is also available online at www.graco.com and on Graco's internal Website.

The information within this Code of Conduct supersedes previous printed versions of Graco's Conduct of Business Guidelines. This Code of Conduct may be changed or revoked at any time. This Code of Conduct is not all-inclusive.

GRACO'S BUSINESS RELATIONSHIPS

In conducting Graco's business, you may deal with a variety of people and organizations, including customers, suppliers and competitors, as well as other Graco employees. All business relationships should be based on a solid foundation of honesty and fairness.

The following topics address Graco's relationship with our customers, competitors, suppliers and others outside of Graco.

Quality

Quality is important to Graco. We strive for excellent and continuous improvement in everything we do. We are all responsible for the quality of our own work. We are committed to understanding our customers' requirements and meeting or exceeding them. We are committed to delivering our products on time and with no defects or delays.

Product Safety

We will design, manufacture, market, install and service (where applicable) products and systems that are safe for their intended and foreseeable uses. All Graco products shall meet Graco's internal safety standards, external

regulations and the standards of the appropriate approval entities. Written product safety standards and procedures for product design, production and use shall be maintained for all products.

Product Representation

Truth in Advertising

We will avoid any misstatement of fact or misleading impression in any of our advertising, literature, exhibits or other public statements. All statements about Graco products and services shall be true and substantiated. The total impression of the message must also be considered. Any omission of fact, wrongful emphasis or use of illustrative material that would tend to mislead a casual reader, listener or viewer shall be avoided.

Disparagement

We will not make any false or misleading remarks regarding competitive organizations or individuals, or their products and services. All Graco products and services will be sold on their merits. When we are making comparisons between Graco products and those of competitors, we must be sure that all statements are factual, accurate and not misleading.

Fair Competition (Antitrust)

The antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace. Antitrust violations are extremely serious and can result in heavy fines and even criminal prosecution.

The following areas pose substantial antitrust risks. Actions in these areas may not be taken without first consulting the Legal Department.

- No Graco employee shall enter into any agreement, written or oral, express or implied, with a competitor regarding prices, price-related terms (discounts, rebates, payment terms, etc.), allocation of markets or customers, bidding practices, or limiting or refusing to do business with any customer. Because conversations can be interpreted as agreements, avoid any conversation with competitors about any of those subjects.
- Graco shall not compel or dictate resale prices charged for Graco products, or customers or territories where such products may be resold.

It is the policy of Graco to comply fully with both the letter and spirit of the antitrust laws of all countries in which Graco conducts business. This includes the U.S. antitrust laws and relevant laws of other countries where Graco conducts business. Management employees are expected to maintain familiarity with the principles of these antitrust laws and to do nothing that might violate such laws or give any appearance of an intention to violate them.

The provisions of the antitrust laws apply to both formal and informal communications. Employees involved in trade association activities or in other situations allowing for informal communication among competitors, customers or suppliers must be especially alert to the requirements of the law.

Graco considers compliance with the applicable antitrust laws so vitally important that claims of ignorance, good intentions or failure to seek timely advice will not be accepted as an excuse for violations.

Competitive Information

We will not violate the legal rights of competitors or other parties in the gathering and use of competitive information and will obey all laws that apply to the information of competitors. The following points will help you avoid violations:

- Only lawful and ethical methods can be used to obtain competitive information. We will not engage in any spying or industrial espionage activities, or any activities that could be misinterpreted as such.

- Information about a competitor's pricing, price terms, customers or market share should not be obtained directly from the competitor or from someone who is legally bound not to disclose this information.
- Information that is confidential or proprietary to a competitor or other party may not be gathered or used unless that party voluntarily disclosed it to Graco.
- Graco shall strictly comply with the provisions of all confidential information and non-disclosure agreements which it enters into, and take measures to assure compliance. Confidential information of other parties shall not be shared beyond those who have a "need to know" such information to perform their jobs for Graco.
- Any confidential or proprietary information of another party, including a competitor, which is inadvertently disclosed to Graco shall not be used and shall be immediately returned to the owner.

We shall not solicit or use any confidential or proprietary information of a competitor or other party available to a current or former employee or consultant of that party. We shall inform any current or former employee or consultant of a competitor who becomes an employee and/or performs services for Graco, that he or she is expected not to disclose or use any confidential or proprietary information of the competitor or other party in performing services for Graco. We will also tell the person to comply with all legal and contractual requirements that person may have regarding such information. No Graco manager will apply any pressure, implicit or explicit, on any employee to use or disclose the confidential information of a former employer.

Business Gifts

Business gifts may be meals, cocktails, discounts, hospitality, entertainment, recreation, tickets, promotional items, transportation and any tangible or intangible "thing of value" for which the recipient does not pay the fair market value.

We may give or receive gifts in our Graco business dealings with commercial customers and with other non-government parties if they meet the following guidelines:

- They do not violate the law, regulations, or reasonable customs of the marketplace or the known policy of the recipient or the recipient's employer;
- They are reasonable in cost, amount, quantity and frequency;
- They are appropriate as to time and place;
- They do not influence or appear to influence the business judgment of the giver or recipient;
- They are not given specifically in return for business;
- They can stand public scrutiny without damaging Graco's reputation; and
- They are properly reflected on Graco books and records.

Under no circumstances should you give or receive money as a business courtesy or gratuity.

These guidelines apply even when no reimbursement from Graco is sought.

The rules regarding gifts and gratuities to government employees or officials are considerably different from these guidelines, and are very strict. See the sections titled Business with the Government and Transacting International Business in this Code of Conduct.

Software Use

Most computer software is the valuable intellectual property of the developer or other owner of the software. It is usually protected by copyright, patent, and/or trade secret and is made available to users under the terms of license agreements. The unauthorized use of this proprietary software on Graco equipment could expose both the user and Graco to serious liabilities for violation of these rights. Therefore, it is Graco's policy that all software owned by a third party will be used on Graco computers and other equipment only if a license or other permission has been obtained. The department or individual responsible for information systems at your location has the responsibility and sole authority to acquire and install software on Graco computers. Employees are prohibited from loading software onto Graco computers themselves, both to assure that there is no unauthorized use of software and that the software will not cause compatibility problems.

GRACO AND ITS EMPLOYEES

These sections should be followed to ensure a positive relationship between Graco and its employees.

Equal Employment Opportunity

Our policy is to provide equal employment opportunities and to treat applicants and employees in all interactions with the company without regard to personal characteristics, including race, sex, age, national origin, disability, religion, veteran status, pregnancy, citizenship, gender, marital status or any other basis protected by federal, state or local law.

Management is responsible for ensuring that decisions regarding recruitment, selection, development and advancement of employees are based on merit, qualifications, demonstrated skill and achievements. Do not allow the above-referenced personal characteristics to influence your judgment.

We follow all applicable labor and employment laws wherever we operate. Contact your Human Resource Manager or the Legal Department with any questions about local requirements with which you must comply.

Harassment

We do not tolerate harassment of our employees based on personal characteristics they may have that are protected by law. These personal protected characteristics are race, sex, age, national origin, disability, religion, veteran status, pregnancy, citizenship, gender, marital status or any other basis protected by federal, state or local law.

Harassment based on a personal protected characteristic is conduct that targets an employee who possesses the characteristic and intimidates, humiliates or offends the employee in a severe and degrading way. Harassment can include suggestive or insulting noises, facial expressions, vulgar language and gestures, nicknames, slurs, derogatory comments, cartoons, jokes, threats, hostile acts and touching.

Sexual harassment is one form of prohibited harassment. Sexual harassment is unwanted attention of a persistent or offensive nature directed against an employee based on the employee's sex by a person who knew or should have known that such attention is unwelcome. Sexual harassment is sufficiently pervasive or severe sexually-oriented conduct that interferes with the employee's job performance or creates an intimidating, hostile or offensive working environment. Some examples of sexually harassing conduct are:

- Promising or giving the employee a reward if the employee complies with a sexually-oriented request;
- Threatening to retaliate or retaliating against the employee if the employee does not comply with a sexually-oriented request;
- Leering, making sexual innuendos, gestures or degrading comments;
- Displaying or distributing sexually-oriented pictures, objects or written materials; and
- Unwelcome touching of the employee.

Supervisors are not engaging in harassment or retaliation when they respectfully address an employee's inadequate performance through counseling and/or work improvement measures.

An employee who believes that he or she has been harassed based on his/her personal characteristic should immediately report the conduct to his/her supervisor, a Human Resources representative, the Legal Department or the Graco ethics hotline.

All employees are subject to disciplinary action, up to and including termination of their employment if they engage in harassment in violation of our policy. In addition, vendor representatives, independent contractors, leased employees, and visitors who have been found to have harassed a Graco employee are subject to removal from the premises and debarment from future interaction with Graco employees.

Retaliation against employees who, in good faith, report harassment or assist in investigating complaints of harassment is prohibited. Reports of suspected retaliation should be made to the employee's supervisor, a Human Resources representative, a member of the Legal Department or the Graco ethics hotline.

Health and Safety

The personal safety and health of each Graco employee is of primary importance. The prevention of occupationally-induced injuries and illnesses will be given precedence over operating productivity. Graco management will provide all mechanical and physical facilities required for the personal safety and health of its employees and comply with the Occupational Safety and Health Act and comparable legislation throughout the world.

Drug And Alcohol Free Workplace

Graco has a vital interest in maintaining safe, healthful and efficient working conditions for its employees. The use of drugs and alcohol has been shown to adversely affect safety, productivity, quality, integrity and morale. Graco has implemented a practice and work rules with regard to the use, possession and sale of alcohol and drugs.

We strictly prohibit the use, sale, solicitation or possession of drugs, other controlled substances, or the use of alcohol, in any amount, on any Graco premises or work sites (including parking lots). For the purposes of this policy, "use" shall include but not be limited to admission of use or a positive result on a drug & alcohol screening test indicating the presence of a drug or its metabolites, or alcohol at or above the threshold detection levels. Certain exceptions regarding alcohol consumption may be granted by Human Resources for Graco-sponsored events.

Graco recognizes that drug and alcohol abuse are treatable conditions. Employees are encouraged to voluntarily seek help through our employee assistance program or their health care plan. However, using our employee assistance program will not eliminate disciplinary action if an employee has violated Graco's drug and alcohol practices or rules, or if performance has been below his or her supervisor's expectations.

Use of Medication

An employee who has been prescribed or who is using a drug for any medical or other condition which might in any way impair his/her ability to perform the job must immediately notify his/her supervisor or Human Resources. Appropriate medical advice will be sought to determine whether the individual can work while taking the medication. If it is determined that the individual is unable to perform his or her job without impairment caused by the medication, the employee will be reassigned or directed not to report to work until the condition for which such medication is being taken is no longer present, or use of medication causing impairment has been discontinued.

Conflict of Interest

A conflict of interest occurs whenever the prospect of direct or indirect personal gain (or the gain of an associate or family member) could influence your judgment or actions in the conduct of Graco business. It is your responsibility to avoid a conflict between the interests of Graco and your personal interests. You must conduct yourself with the highest standards of integrity, honesty, and fair dealing]. The following situations shall be avoided:

- Working for or representing a customer, supplier or competitor, regardless of the nature of the services being provided, while employed by or representing Graco;
- Investing in a Graco competitor, customer or supplier, if the investment is significant enough to possibly conflict or appear to conflict with your responsibilities to Graco;
- Accepting personal gifts, payments or services from those seeking to do business with Graco in violation of the business gifts policy in this Code of Conduct;
- Acting as a consultant to a competitor, customer or supplier of Graco;
- Serving as proprietor, general partner, officer, or director of any profit-oriented corporation or other organization without first obtaining written consent from a Graco corporate officer of vice president rank or higher;
- Using Graco's name, customer or employee lists for any purpose other than Graco business or functions without prior written approval from a Graco corporate officer of vice president rank or higher;
- Personally taking advantage of a business opportunity available to Graco; and

- Any activity or arrangement (direct or indirect) that could conflict, or may reasonably be viewed as conflicting, with your responsibilities to Graco.

Related Persons Transaction Approval Policy

The Related Persons Transaction Approval Policy applies to any transaction, arrangement, or relationship or any series of similar transactions, arrangements or relationships in which Graco is a participant and in which a related person (defined as Graco's directors, director-nominees, officers, five-percent shareholders, and any of their respective family members) has a direct or indirect interest, other than the following:

- Payment of compensation by Graco to a related person for the related persons' service to Graco in the capacity or capacities that give rise to the person's status as a "related person;" and
- Transactions generally available to all employees or all shareholders of Graco on the same terms.

The Audit Committee of Graco's Board of Directors must approve any related person transaction subject to this policy before commencement of the related person transaction or, if it is not practicable to approve the transaction before commencement, the transaction will be submitted to the Audit Committee or chair of the Audit Committee for ratification as soon as possible. The Audit Committee or its Chair will analyze the following factors, in addition to any other factors the Audit Committee deems appropriate, in determining whether to approve a related person transaction:

- The benefits to Graco;
- The impact on a director's independence;
- The availability of other sources for comparable products or services;
- The terms of the transaction and whether they are fair to Graco;
- The terms available to unrelated third parties or to employees generally; and
- Whether the transaction is material to Graco.

The Audit Committee or its Chair may, in its or his sole discretion, approve or deny any related person transaction. Approval of a related person transaction may be conditioned upon Graco and the related person following certain procedures designated by the Audit Committee or its Chair.

Personal Loans

Graco shall not make, facilitate or arrange, directly or indirectly, any personal loans to any director, officer or employee, unless such loan (i) is in compliance of all applicable laws and regulations; and (ii) is approved in advance by the Audit Committee of the Board of Directors. This policy does not prohibit properly authorized travel expense advances to employees in the ordinary course of business.

Unauthorized Use of Company Property

All assets owned by Graco have specific functions related to operating Graco's business. Graco assets are for the sole benefit of Graco. Improper or unauthorized use applies to Graco property and personnel resources. Personal use of Graco property or facilities (other than incidental use) is prohibited. In addition, using services of other Graco employees during regular working hours for personal use is prohibited. This policy does not apply to benefits or services that have been approved for general employee use or as an approved employee benefit according to Graco guidelines.

Electronic Media and its Security

Our electronic media and information systems are a critical component to our success. Handling these resources with good judgment and appropriate security is a team effort requiring the cooperation of all Graco employees, contractors, consultants and temporary workers.

We make various electronic media systems available to our employees, contractors, consultants and temporary

workers to use in conducting Graco business. Graco computers, information systems, electronic files and communications, e-mail messages, and any other electronic media technology are Graco property. Graco has the right to view and monitor any and all information, unless prohibited under local law. Users should have no expectation of privacy in anything they create, store, send, receive, view, access, print or download, unless local law provides otherwise.

Users must follow our basic rules for personal use. Incidental personal use of electronic media and services is permitted, but must not involve any prohibited use, must not interfere with the business responsibilities or productivity of the user or others, must not consume system resources or storage capacity on an ongoing basis, may be monitored in the same manner as business communications and must comply with the provisions of this policy.

Systems users should never use company electronic media systems to:

- Transmit without authorization any confidential information about Graco or Graco's agents, or any copyrighted or licensed material;
- Browse, view, access, download, send, receive, disseminate, store, install, display, or print materials, communications or documents that are sexually explicit, offensive, obscene, pornographic, insulting, defamatory or threatening;
- Browse, view, access, download, send, receive, disseminate, store, install, display or print materials, communications or documents that violate Graco's harassment policy.
- Gamble, wager or participate in similar activities;
- Participate in jokes, chain letters, computer games, non work-related mailing lists, bulletin board chat rooms, newsgroups or other non-work related forums;
- Act independently as a buyer or seller of personal items or engage in an activity that would promote non-Graco-related commercial business;
- Transmit destructive programs (e.g., viruses, worms or self-replicating code);
- Send or transmit messages or material that attempt to hide the true identity of the sender;
- Use another individual's account, password, or identity without explicit authorization;
- Permit any unauthorized individual to access Graco's systems;
- Hack or attempt to gain access to or defeat the security of confidential Graco electronic data, records, programs or systems without appropriate authorization;
- Participate in illegal, unethical, fraudulent, malicious or improper activity; or
- Encrypt messages, documents, programs, Internet logs or files in order to block access by Graco.

Graco may take disciplinary action, up to and including termination, for behavior that is inconsistent with the above practice. Authorities may also be notified.

Photographic Equipment

Camera phones or other photographic equipment, whether personally-owned or issued by Graco, put at risk Graco's confidential and proprietary information and employees' privacy. Employees, contractors and visitors must never use any type of photographic equipment or photographic feature on their mobile phones to take pictures on Graco premises, while conducting Graco business or at Graco-sponsored functions without first receiving management's permission to do so.

Fraud and Theft

Any act by an employee that involves fraud, embezzlement, misappropriation or theft of any property, including that of Graco or any of its employees, suppliers or customers, is expressly prohibited, regardless of whether or not the act could result in a criminal proceeding.

Privacy and Personal Data

Maintaining and respecting the privacy of our employees, distributors, suppliers, customers, investors, shareholders and agents is critical to our continued global success. Data privacy addresses the protection of personal data. Personal data is broadly defined as information or data about an identified or identifiable person, such as

employment, medical and financial data. Access to personal data is strictly limited to company personnel who have appropriate authorization and a business need for that information.

Most countries have laws regulating the collection and use of personal data. These laws vary in scope, level of protection and enforcement. Please contact the Legal Department if you have questions about these laws. Graco is dedicated to complying with applicable laws worldwide, and all employees are responsible for complying with applicable data privacy requirements.

GOVERNMENT AND COMMUNITY RESPONSIBILITY

Environmental Laws

It is our policy to strive to manage our business in a way that conserves natural resources and protects the environment. In all locations and activities worldwide, Graco and its employees will:

- Comply with, or exceed the requirements of, all applicable environmental laws and regulations;
- Adopt accepted environmental practices in all its operations; and
- Continuously improve its environmental practices, preventing pollution and reducing the impact its operations have on the environment.

Graco management will allocate the resources, and adopt processes and procedures, including setting and reviewing environmental goals and targets, to ensure that this policy is implemented.

You should immediately notify your supervisor or the Graco Environmental Specialist if you know or suspect that there has been a spill or release of hazardous materials, or are aware of other actual or potential environmental problems in any Graco facility.

Graco will provide truthful and accurate information to government licensing or permitting authorities in connection with any application for any environmental license or permit or any periodic reports that may be required.

Transacting International Business

Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act and other United States laws prohibit Graco, its employees, and agents worldwide from offering, making payment or giving anything of value to a foreign (non-U.S.) government official, foreign political party, or any candidate for foreign political office for the purpose of obtaining, retaining or directing business. Graco's policy is to strictly abide by these laws.

The law does allow certain rare exceptions. These rare exceptions must be accurately and properly accounted for in Graco's (including any subsidiaries) financial records. Employees must seek advice from the Legal Department prior to making any such payments.

The U.S. Foreign Corrupt Practices Act also requires Graco and its non-U.S. subsidiaries to maintain accurate and complete financial books and records and have internal accounting controls in place. No Graco funds or assets may be used for unlawful, improper or unethical purpose; no undisclosed, unrecorded or secret funds or assets may be established, and no false entries may be made in financial books for any purpose.

Export Regulations

The United States government has in place export control laws designed to ensure that transfers of products, services, and technology are accomplished in a manner that is consistent with national security and foreign policy goals. These laws apply to any item being exported from the U.S. and any U.S.-origin goods and technology, wherever located. These laws apply to any corporation or entity located in the U.S., any U.S. citizen wherever located, and any subsidiary of a U.S. company. Graco and its subsidiaries, both U.S.-based and non-U.S. based, must be aware of U.S. export controls and their applicability to Graco's business.

The U.S. also restricts trade, investment, and financial transactions with certain countries, organizations and individuals. All international Graco transactions must be properly screened and licensed before they occur.

Graco and all its subsidiaries are prohibited from exporting products to any country subject to a U.S. trade embargo or selling to any entity listed by the U.S. government.

U.S. law also requires export licenses to be issued by the U.S. government for certain products sold by Graco or any Graco subsidiary to certain countries. Graco will review all of its products on an ongoing basis for any products that may require a license, and will not ship products without obtaining the proper license.

Failure to comply with these laws can result in fines, imprisonment, suspension or revocation of the privilege to export from the U.S., and adverse publicity against the company and/or individuals.

Anti-Boycott Laws

Under U.S. law, Graco is required to report to the U.S. government receipt of any request to participate in any way in an international boycott, particularly the boycott of Israel by many Arab countries. This reporting requirement applies even if the business transaction is not completed. Graco is also prohibited from complying with any such request.

The definition of "request" is very broad. The request may be verbal or written, it may come directly from the customer or indirectly through another document, for example, a letter of credit. Consequently, all customer documentation shall be carefully scrutinized. Such a request may ask the seller to supply information, take action, or refrain from taking particular action that would further or support the Arab League boycott of Israel.

Graco's Legal Department issues periodic updates and conducts training on compliance with the U.S. anti-boycott laws. If you have any questions particularly regarding any statement or document which you believe may be related to the Arab League boycott of Israel, you should contact Graco's Legal Department. Do not respond to the request in the manner instructed by the request. Immediately call the Legal Department, which will report the request to the U.S. government and work with you to determine the appropriate response.

Imports and Customs

Graco will comply with all applicable laws and regulations governing the entry of goods into the United States or any other country. No employee shall take any action to improperly evade any custom tariff or duty, or other applicable requirement regarding the importation of goods, including classification, valuation, description, documentation, record keeping and country of origin markings. We encourage you to contact the Legal Department for guidance concerning import and customs.

Business with the Government

No Gifts, Meals or Gratuities

Very strict guidelines prohibit any type of payment to U.S. Government employees for meals, refreshments, travel or lodging expenses. Normal business courtesies in the commercial marketplace are considered an attempt to improperly influence the government official and may be construed as a bribe, kickback or illegal gratuity. Therefore, do not provide any U.S. government employee with anything of value, including meals, refreshments, or gifts, even if they are of nominal value. If a Graco employee and a government employee share a meal, each should pay their full and fair share of the cost of the meal.

Government employees should be aware of the regulations that govern these activities and should decline any offer of gifts and gratuities. Do not assume, however, that because a government employee accepts or appears willing to accept such an offer that it is legal or appropriate.

Similar laws prohibiting payment or gifts to government officials exist in other countries where Graco conducts business. We abide by these laws worldwide.

Kickbacks

Pursuant to U.S. law, Graco forbids any of its employees to offer, solicit, provide or accept any gift of money or other thing of value for the purpose of improperly obtaining or rewarding favorable treatment in connection with U.S. government contracts.

No employee, agent, or representative of Graco will bribe any person, including foreign officials and politicians, in order to obtain or retain business for Graco. Graco specifically prohibits offering, giving soliciting, or receiving any form of bribe or kickback. These activities could constitute criminal acts.

Contract Negotiations

The law has a number of specific requirements for the negotiation of contracts with the U.S. government, which vary depending on the type of transaction being negotiated. These requirements are complex, and penalties for violating them can be severe. If you are considering selling any products or services to the federal government, call the Legal Department.

Government Investigations

We will cooperate promptly and fully with all government investigations or interviews involving possible violations of the law. Employees shall give complete and truthful answers to any questions asked of them. Graco is also concerned about protecting the legal rights of its employees and other stakeholders. Therefore, any employee who is approached by anyone claiming to be a government investigator or inspector should immediately contact the Legal Department before answering any questions.

Employees Serving as Public Officials

We encourage our employees to be good citizens and to take an active part in the political process. A Graco employee may be a candidate for or be elected or appointed to local, state, or federal public office. If you serve as a public official, you should keep your role as a Graco employee and as a public official separate. Additionally, a supervisor or other employee must not attempt to exert undue influence over an employee's actions in that employee's role as a candidate or public official.

Full-time and part-time employees and those on leave serving as public officials should:

- Make decisions as a public official based solely on the merits of issues;
- Adhere strictly to the applicable laws and reporting regulations governing the proper conduct for candidates or public officials;
- Avoid any conflicts of interest; and
- Not speak for or act on behalf of Graco while carrying out responsibilities as a public official.

Political Contributions

Graco's resources shall not be used to support political parties, political action committees or candidates unless and to the extent the Company's Chief Executive Officer determines that a political action committee or other organization lawfully authorized to provide financial support to political candidates will further the business interests of the Company. Contributions proposed by the Chief Executive Officer in the aggregate amount or value of (a) \$100,000 or greater per fiscal year must be approved by the Company's Board of Directors, and (b) less than \$100,000 must be approved by the Company's Chairman of the Board. Direct contributions by the Company to individual candidates are not permitted. Individual employees are encouraged to support their own parties and candidates, but they must do so on their own time and with their own funds. If a planned contribution could in any way be looked upon as involving Graco funds, property or services, call the Legal Department.

Business Information

The following are designed to ensure adequate protection and proper management of Graco's business information.

Proprietary Information and Nondisclosure

Information, ideas, and intellectual property are valuable Graco assets. Confidential information pertaining to competitive position and strategy must be protected from misuse. Such information includes manufacturing methods, information related to customers, business strategy, product costs or margins, and trade secrets. Such information will be distributed only to those having a need to know it to meet their job responsibilities. Employees, officers and directors shall maintain the confidentiality of all such information and disclose it only when legally mandated.

Accuracy of Reports and Accounting Records

Graco management has the responsibility to fairly and accurately report financial results to Graco's shareholders, banks and creditors. As a company whose stock trades on the New York Stock Exchange, Graco is subject to the requirements of the Securities and Exchange Commission, which regulates the format, content and timeliness of financial and business reports. We must also comply with other applicable local, state and federal accounting and reporting requirements including those related to our employee benefit plans.

Graco is required to develop and maintain a strong and effective internal control system to provide reasonable assurance that:

- Transactions are properly authorized and accurately recorded based on Graco policies and procedures;
- Graco assets are adequately safeguarded;
- Financial and management reporting is reliable and accurate, and reflects actual business activity;
- Activities comply with applicable legal requirements; and
- Business operations are effective and efficient.

Every employee is expected to comply with the internal control systems and processes and to participate in the ongoing enhancement of our internal controls.

Cooperation with Internal and Outside Auditors

Every Graco employee will cooperate fully with both our internal auditors and Graco's independent public accountants in the performance of their duties. Cooperation includes promptly providing full and complete information in response to any request and being open, honest and candid with the auditors.

Disclosure of Information; Compliance with Securities Laws

We strive to comply with all federal, state and local securities laws and regulations. Federal and state securities laws require the accurate and timely reporting of certain material information relating to Graco's business and financial results and condition. They also forbid people from trading securities based on knowledge of material non-public information.

Full and Accurate Reporting and Disclosure

All of Graco's disclosures required under state and federal securities laws and as required by the New York Stock Exchange, and all of Graco's public communications, shall be full, fair, accurate, timely, understandable and not misleading.

Non-Public Information

Any employee who becomes aware of material non-public information related to Graco or firms with which Graco is negotiating or competing may not:

- Buy or sell shares or other securities of Graco or any such firm, as the case may be; or
- Disclose this information to anyone outside Graco until the information has been disclosed to the public and the securities markets have had an adequate chance to absorb it.

Any information that an investor might consider important in deciding whether to buy, sell or hold securities is considered material. Examples of material information include:

- Financial results;
- Financial forecasts;
- Changes in dividends;
- Possible mergers, acquisitions and joint ventures;
- Other purchases and sales of companies;
- Investments in companies;
- Obtaining or losing important contracts; and
- Important product developments, major litigation developments, major management changes and major changes in business direction.

Insiders

In addition to the foregoing restrictions, Graco directors, officers and certain other employees who are considered "insiders" for purposes of the securities laws must follow guidelines for insider trading as periodically issued by the Legal Department, and must not buy, sell or otherwise engage in any transaction in Graco stock without prior consultation with the Vice President and General Counsel.