

TWIN DISC, INCORPORATED

GUIDELINES FOR BUSINESS CONDUCT AND ETHICS

It is the policy of Twin Disc, Incorporated to comply fully with applicable laws and government regulations and to maintain high ethical standards in the conduct of its business.

Everyone associated with Twin Disc is expected to accept personal responsibility to act in accordance with both the letter and spirit of this policy.

These guidelines apply to the affairs of Twin Disc, Incorporated and its subsidiaries (collectively referred to as “Twin Disc”). The guidelines are applicable to all directors, officers, employees and anyone else representing the Interest of Twin Disc. Employees who do not comply with the guidelines will be subject to disciplinary action up to and including termination.

All Twin Disc employees are expected to maintain the highest level of integrity in business dealing with people, organizations and governments. In the conduct of business, observance of the law is a requirement without exception. It is the individual responsibility of all Twin Disc employees and particularly those in positions of responsibility to exercise diligence and good faith in the management of Twin Disc and to prevent violations of law, conflicts of interest, misuse of Twin Disc property and other activities which might give rise to questions of “fair dealing” on the part of officers, employees or associates of Twin Disc.

While these guidelines deal with the principal areas of concern, they cannot cover every situation which may arise. In specific situations, each person must exercise discretion and good judgment within the parameters of these guidelines, bearing in mind the high standards of trusteeship to which Twin Disc is committed. If anyone has the slightest doubt with regard to a particular transaction or any question concerning this policy, that person is urged to consult with the Managing Director or senior official of that individual’s business unit or with any member of the Board of Directors.

1. Conflicts of Interest

All directors, employees and representatives of Twin Disc should refrain from business activities, including personal investments, which conflict with the proper discharge of their responsibilities to Twin Disc or impair their ability to exercise independence of judgment with respect to transactions in which they are involved on behalf of Twin Disc. Thus, purchases and sales of property and services as well as the investments made on behalf of Twin Disc are to be made on the basis of merit and without favoritism. The following rules have been adopted to implement this policy:

- a. Purchases and sales of equipment, supplies and services should be carried out so they shall not result in personal benefit or gain. These transactions should be in the best interest of Twin Disc, and on a competitive basis where possible.

- b. Twin Disc recognizes the practice of many of its vendors and business partners of providing small gifts, or to pay for meals and entertainment for Twin Disc employees. Employees should exercise reasonable care in accepting such items to ensure that no undue influence is achieved or perceived. Cash gifts shall never be accepted, nor shall anything be accepted in exchange for something from Twin Disc. Substantial gifts, favors, entertainment, hospitality or other gratuities from persons doing business or seeking to do business with Twin Disc, which because of their size or type might reasonably be considered tendered for the purpose of influencing independence of judgment, must never be accepted directly or indirectly.
- c. No funds, corporate or otherwise, may be used for rebates, kickbacks, bribes or any other improper purpose. Employees should not make any payment or provide any gift which would create a conflict of interest for the recipient or impair his independence of judgment.
- d. Significant transactions with Twin Disc officers or employees, their relatives, or enterprises in which they have material interest are not permitted unless such transactions are fully disclosed and have been approved by the Board of Directors of Twin Disc, Incorporated as being in the best interest of Twin Disc.
- e. The use of Company funds to provide loans, permanent travel advances, payroll advances beyond the current payroll earned or to otherwise finance employee personal expenses or purchases is prohibited. Any exceptions to this policy require written approval of the Vice-President Finance.
- f. Company employees, officers and directors are prohibited from competing with the Company. Neither company employees, officers and directors nor their immediate family members may serve as directors, officers, employees or consultants of any competitor of Twin Disc, unless such service is disclosed to and approved by the Board of Directors of Twin Disc.

2. Standard of Conduct

- a. All directors, officers and employees should deal fairly with the Company's customers, suppliers, competitors and employees. Unfair dealing includes taking unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or similar practices.
- b. Employees, officers and directors should protect and ensure the efficient use of Company assets, and use Company assets only for legitimate business purposes. All employees, officers and directors are expected to strictly follow the terms and conditions of software license agreements, and computer software may not be reproduced for personal use. All employees, officers and directors are also expected to safeguard Twin Disc's intellectual property rights, including trademarks, patents, copyrights and trade secrets.

- c. All directors, officers and employees shall strive to be in strict compliance with all applicable laws and regulations, including environmental protection, equal employment, work place harassment, and antitrust laws.
- d. All directors, officers and employees are expected to be in strict compliance with all applicable laws relating to doing business in foreign countries, including the Foreign Corrupt Practices Act of 1977, export and re-export control laws, trade embargoes and economic sanctions, and laws prohibiting international boycotts not sanctioned by the United States.
- e. Twin Disc will comply with all applicable environmental laws and utilize best management practices to further reduce environmental risks.
- f. An employee's qualifications, skills and achievements or potential are the only factors upon which decisions concerning hiring, performance appraisals and promotions are based. These decisions must be arrived at without regard to race, color, sex, national origin, religion, age, disability, marital or family status, veteran status or any other illegal consideration.
- g. Employees should be sensitive to the feelings of others and avoid involvement in any activities which could unreasonably interfere with an individual's work performance or create an intimidating, hostile or offensive work environment. Civil rights and other local laws prohibit harassment in 1) situations in which tangible job benefits are granted or withheld based on reactions to unwelcome conduct and 2) situations in which the work environment is hostile or oppressive due to the actions of others in the work place.
- h. Antitrust law specifically prohibits agreements to fix prices, limit production, allocate customers or markets, boycott customers or suppliers, or maintain resale restrictions. Because of the trend toward very expansive interpretation of antitrust laws, it is essential that employees avoid creating even a suspicion of a violation. Employees should avoid contacts of any kind with competitors except in those limited situations where contacts are clearly necessary and are for a lawful purpose. Prices, volume and market share should never be discussed with a competitor.
- i. Directors, officers and employees of Twin Disc shall comply with accepted accounting rules and controls, including applicable tax regulations. All funds, assets, transactions and payments must be properly evidenced and recorded on Twin Disc's books and records. No false or misleading entries may be made in the books or records.
- j. Twin Disc funds or services or paid employee time may not be contributed to a candidate, political campaign or political party in the U.S. or a foreign country.
- k. Employees, officers and directors shall maintain the confidentiality of all information entrusted to them by the Company or its customers, except when

disclosure is authorized by the Company or required by law. Confidential information includes all non-public information that might be of use to investors or competitors, or harmful to the Company or its customers, if disclosed.

3. Fair Dealing in Connection with Investments

All investment or business opportunities intended for or of interest to Twin Disc which come to the attention of a person during the performance of such person's duties shall be presented to the Managing Director or Senior official of the Twin Disc company concerned and may not be diverted directly or indirectly for personal gain unless such opportunity shall be specifically declined in writing by the official to whom it is referred. Such Managing Director or Senior official shall use his or her own judgment as to whether such opportunity should be forwarded to the Board of Directors of Twin Disc for consideration before deciding whether to decline the investment or business opportunity.

4. Insider Trading

It is the policy of Twin Disc for all of its officers, directors and employees to comply fully with federal securities laws restricting transactions in the stock of publicly-owned corporations that are made on the basis of information which is not known to the general investing public. In particular, all officers, directors and management level personnel must comply with Twin Disc's written policies regarding stock transactions by management. Any questions about the applicability of this policy to individual transactions should be directed to the Corporate Secretary.

5. Enforcement

Any director, officer or employee of Twin Disc who discovers any event of questionable, fraudulent or illegal nature which is a violation of the foregoing policies and principles, is to report such a deviation immediately to the Managing Director or Senior Official of that individual's business unit, the chief executive officer of Twin Disc or any member of the Board of Directors. The Company will not allow retaliation for reports made in good faith.

All officers and department managers of each Twin Disc company are responsible for the monitoring and enforcement of this policy statement within their specific area of supervisory responsibility.

Any waiver of these policies for executive officers or directors may be made only by the Board or a designated committee of the Board, and must be promptly disclosed to the shareholders of the Company.