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Approved by: Mark M. Comerford	Prepared by: Janice C. Wilken

I. GENERAL POLICY

Haynes International, Inc. (herein referred to, collectively with its direct or indirect subsidiaries, as “Haynes” or the “Company”) corporate policy prohibits all illegal, improper or unethical payments to foreign officials or other persons anywhere in the world. This is true even if such payments are accepted business practice in the country in which the payment is made. The purpose of this policy is to ensure compliance with the United States Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), and applicable anti-corruption laws of other countries. As discussed in further detail below, the FCPA is a criminal statute that prohibits U.S. companies, such as Haynes, and their subsidiaries, employees, agents and representatives from bribing “foreign officials” in order to obtain or maintain business or otherwise secure an improper business advantage. In addition, the FCPA requires publicly-traded U.S. companies (including Haynes) to fulfill record-keeping and accounting requirements designed to prevent off-the-book transactions, including kickbacks, bribes and slush funds.

The FCPA applies with equal force to a U.S. company’s employees and agents who are not citizens of the U.S. but whose acts can subject the company to liability, even if they take place outside the U.S. In addition, a company’s employees and certain agents can be held personally liable for FCPA violations under specific conditions. It is the Company’s corporate policy that all of its subsidiaries, business divisions, employees, representatives and agents comply with the FCPA and any other applicable anti-corruption laws.

II. BACKGROUND INFORMATION ON THE FCPA

A. Anti-Bribery Provisions of the FCPA

The anti-bribery provisions of the FCPA prohibit any corrupt offer, payment, promise to pay or authorization to pay any money, gift or anything of value to any “foreign official”, including a governmental official, any official of a public international organization or any foreign political party, candidate or official, for the purpose of:

- influencing any act or decision of such party, official or candidate in its or his official capacity;
- inducing such party, official or candidate to do or omit to do an act in violation of the lawful duty of such party, official or candidate;
- securing any improper advantage; or
- inducing such party, official or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality;

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in each case, in order to assist Haynes in obtaining or retaining business for or with, or directing business to, any person. For purposes of the above prohibition, an employee of a state-owned commercial entity is also considered a "foreign official" pursuant to the FCPA.

The Act also prohibits any payment to a third party where the payor "knows" that the third party will use any part of that payment for bribes. This "knowledge" standard imposes a strict duty upon U.S. companies and individuals to ensure that they select agents and middlemen who do not have a reputation for making illegal payments or may, for other reasons, be anticipated to make illegal payments. Specifically, U.S. companies and individuals are prohibited from taking a "head-in-the-sand" attitude and from ignoring warning signs that should reasonably alert them of the high probability of an FCPA violation. Evidence of a "conscious disregard" or "willful blindness" of known circumstances that should reasonably alert one to the high probability of violations of the FCPA will constitute "knowledge". In an effort to comply with the "knowledge" standard, the Company requires that all of its agents, representatives and middlemen be subjected to a rigorous due diligence review, discussed in further detail below.

In very limited circumstances, the FCPA permits payments to foreign officials. For instance, the FCPA permits "facilitating" or "expediting" payments made to a foreign official for the limited purpose of securing or expediting routine governmental actions. The list of routine governmental actions is small, but includes such things as: the issuance of visas, work permits and licenses; the clearance of goods through customs; and the provision of public services such as police protection, mail delivery and public utilities. However, in most countries, facilitation payments are viewed as bribes, violate local law and could result in criminal penalties. From a public relations perspective, facilitation payments could also have a detrimental effect because they contribute to a public perception that a U.S. company supports a corrupt business and political environment. Given these factors, the Company's corporate policy forbids facilitation payments altogether, unless prior approval of the Legal Department has been obtained. If, in a rare instance, a facilitation payment has been approved and paid, such payment must be accurately reported in the Company's books and records.

Similarly, it may be permissible under the FCPA to offer or pay for reasonable and bona fide expenditures, such as travel and lodging expenses of a foreign official, if such expenses are directly related to the promotion or demonstration of products or services, or to the execution or performance of a contract with a foreign government or agency. However, even a nominal payment or gift to a foreign official may amount to a violation of the FCPA if provided for corrupt purposes. Accordingly, the Legal Department must be consulted before paying or offering to pay travel or other expenditures of foreign officials. In several countries, there are laws or regulations that limit or prohibit gifts or expense reimbursements for certain public officials. Therefore, foreign counsel may also need to be consulted with regard to these matters.

Finally, payments to foreign government officials that are permitted under the *written* laws and regulations of the recipient's country are permitted under the FCPA. As a practical matter, however, it is

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highly unlikely that any country in which the Company does business would permit a payment to a foreign official in exchange for business. Thus, the Company and its employees, agents and other representatives are strictly prohibited, as a matter of the Company's policy, from offering or making payments pursuant to this FCPA exception, even if the making of such payment is common practice in the relevant country.

B. Record-Keeping Provisions of the FCPA

The second main part of the FCPA covers record-keeping requirements imposed upon registrants. The FCPA requires companies that have securities registered with the U.S. Securities and Exchange Commission (the "SEC") to maintain "reasonably detailed" books and records, as well as a system of internal accounting controls, in order to reflect accurately all transactions and dispositions of assets. "Reasonable detail" is defined to mean "such level of detail and degree of assurance as would satisfy prudent officials in the conduct of their own affairs". There is no standard of "materiality" under the FCPA, and each division and subsidiary must have reasonable recordkeeping and accounting controls for all payments, not merely sums that would be material in the traditional sense. The FCPA's record-keeping provisions apply to both domestic and foreign operations and are meant to include domestic reporting and disclosure practices as well as those involved in foreign payments.

The Company is an issuer of registered securities and is covered by the FCPA's accounting provisions. Therefore, the Company must comply with the FCPA's books and records provisions. A system of internal accounting controls enables the Company to identify any irregularities in its accounts and could serve to alert the Company that an agent or employee has engaged in a violation of the FCPA's anti-bribery provisions.

C. Penalties for FCPA Violations and Enforcement Trends

The consequences of violating the FCPA are severe. Violation of the FCPA and related laws can result in substantial fines for the Company and can subject guilty Company employees and certain agents to prosecution, criminal fines and imprisonment. These penalties are in addition to disciplinary action that the Company may take, which can include dismissal. Furthermore, the FCPA states specifically that fines and penalties imposed upon individuals may not be paid directly or indirectly by the entity for which the individual may have acted. Thus, by law, any employee and certain agents found to have violated the FCPA will be personally liable for any penalties. In the past several years, litigation brought against organizations for non-compliance with the FCPA has increased significantly, along with the associated penalties. Specifically, violations of the anti-bribery provision of the act can result in fines up to \$2 million for an organization and up to \$100,000 and 5 years imprisonment for an individual found guilty.¹ Additionally, punishments for individuals who willfully violate the accounting provision of the act can

¹ "Foreign Corrupt Practices Act: Anti-bribery Provision." Department of Justice web site:
<http://www.justice.gov/criminal/fraud/fcpa/docs/lay-persons-guide.pdf>

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include fines up to \$5 million and imprisonment for up to 20 years. Companies who violate the accounting provisions of the FCPA can face up to \$25 million in fines.² In addition to civil and criminal penalties, a person or company found in violation of the FCPA may be precluded from doing business with the U.S. government.

The level of enforcement activity has been rising steadily over the past several years, and 2010 witnessed an 85% increase in enforcement actions over 2009, which was itself a record year. The increased focus and resources being devoted to FCPA enforcement at both the Department of Justice and the SEC, coupled with several key legislative developments, suggests that the pace of FCPA prosecutions is unlikely to abate soon.

III. COMPLIANCE GUIDELINES AND TOOLS

The Company, and all of its employees, agents and intermediaries acting on the Company's behalf, must comply with the FCPA and this policy. All employees, whether located in the U.S. or abroad, must observe and enforce procedures ensuring FCPA compliance. All managers and supervisory personnel are expected to monitor continued compliance with the FCPA, ensure that reviews are routinely conducted and maintain current, adequate accounting and record-keeping controls.

To promote FCPA compliance, the Company has developed guidelines that the Company's employees and agents must follow. Failure to do so will result in disciplinary action, up to and including termination of employment. Abiding by these guidelines will help to ensure full compliance with the FCPA and preserve the Company's reputation for honest and fair dealing with governments and their representatives throughout the world.

A. General Rules

The following rules have been established for all employees, directors and agents acting on behalf of the Company or any of its divisions and other related entities:

1. No unlawful payment or gift of any kind may be promised, offered, authorized or made to any foreign official in order to induce that official to use his or her position to obtain or retain business for the Company or to obtain an improper business advantage.
2. Notwithstanding the foregoing, expenditures for meals, entertainment and other normal social amenities spent on foreign officials are permitted, provided they are not extravagant, are related to the promotion of a product or performance of a contract and are approved by the Legal Department and, if applicable, foreign counsel. Keep in mind that even nominal payments or gifts to a foreign official can violate the FCPA or the anti-corruption laws of the recipient's country.

² "Internal Auditor: Auditing FCPA Compliance Risk." October 2010. www.theiaa.org

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3. Facilitation payments intended to expedite the provision or furnishing of routine government services (e.g., payments to speed the issuance of visas) are prohibited unless prior approval is obtained from the Legal Department.
4. Each of the Company's subsidiary, business division, employee and agent involved with foreign business transactions that could raise FCPA issues must ensure that "reasonably detailed" books and records are maintained, and structure or participate in a system of internal accounting controls, in order to reflect accurately all transactions and dispositions of assets. These requirements apply with particular force to payments made to foreign agents working on the Company's behalf.
5. Each of the Company's employees and agents involved with foreign business transactions that could raise FCPA issues must undergo regular FCPA training, as determined by senior management.

B. Rules for Specific High-Risk Situations

In addition to general rules set forth above, the nature of the Company's business involves a number of circumstances that make compliance especially important.

1. Retaining Agents - Because the actions of a third party acting as an agent, representative or consultant of the Company can expose the Company to liability under the FCPA, great care should be taken in the retention of such persons. A sufficient due diligence investigation must be undertaken prior to retention of any agent to ensure that the representative does not intend to engage in any improper practices. Those employees who work with foreign representatives must perform the activities discussed in the "Agent Diligence Checklist" document, a separate document maintained with this policy in DocuShare. The Agent Diligence Checklist document specifically addresses the vetting, retention and management of foreign agents.

2. Government-Owned Businesses - In many countries, it is a common practice for government officials to own or operate business enterprises. While the FCPA and related laws do not prohibit legitimate business relationships with business enterprises owned or controlled by foreign officials, great care must be taken to avoid any association with any such enterprise in circumstances that might constitute an evasion of the FCPA. Consult the Legal Department if you become aware of such a situation.

3. Charitable Donations - It is common for a U.S. company to make donations to foreign charities in countries in which that company is engaging in business in order to create a sense of goodwill with the local population. A recent U.S. district court decision indicates that U.S. authorities have begun to closely scrutinize foreign charitable contributions for violations of the

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FCPA. Issues of corruption become apparent if a foreign government official responsible for a transaction with a U.S. company also has an interest in or a position with a foreign charity that receives donations from the same company. Given such circumstances, the Company's policy requires that FCPA due diligence be performed on foreign charities prior to making donations to them. Such due diligence includes subjecting charities to a vetting procedure similar to that of agents and joint venture partners, obtaining FCPA certification from the principals of the charity and following up with and monitoring charities to ensure that the Company's contributions are used towards their intended charitable purpose. Employees must consult the Legal Department in order to determine precisely what steps need to be taken in order to vet a foreign recipient of a charitable contribution from the Company.

4. Joint Ventures – The Company may in the future engage in a joint venture that may do business with foreign governments or entities that are otherwise related to foreign governments. Where the Company, directly or indirectly, is the manager of the joint venture, it is clear that corrupt payments made by the venture to foreign officials are prohibited and would expose the Company to potential liability. The Company may also be held liable for corrupt payments made by a joint venture even if the Company is not the manager of the joint venture or does not have a role in the day-to-day control of the venture's activities. Thus, the Company must obtain representations from and perform due diligence on its joint venture partners and their key employees in order to ensure that no part of the joint venture's funds will be used for payments that violate the FCPA. Certain due diligence efforts applicable to agents and other intermediaries, as outlined in the Agent Diligence Checklist document, may also be appropriate for joint venture partners. Employees must consult the Legal Department in order to determine precisely what steps need to be taken in order to vet a potential joint venture partner.

C. Training

The Company conducts periodic FCPA training for the benefit of those employees that could potentially interface with government officials or entities. This training may be in a variety of formats, including live classes, teleconferences, online web-based self study training or webcast presentations. The Legal Department will coordinate and lead these trainings and may be assisted by Internal Audit to deliver live trainings to employees in off-site locations.

D. Internal Certifications

The Legal Department will conduct an annual certification process. Each employee who could potentially interface with government officials or entities is required to review and sign a representation to the Company that they understand the requirements of the FCPA and agree to follow the Company's FCPA compliance policy. In addition, the Company's external agents and distributors will be required to sign a certification to that effect on an annual basis.

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E. Reporting FCPA Violations - Whistleblower Hotline

The Company has established a confidential reporting mechanism for employees and agents who observe acts that may be in violation of the FCPA. Any transaction, no matter how seemingly insignificant, that might give rise to a violation of the FCPA must promptly be reported via the Company's EthicsPoint whistleblower hotline. All such reports will be treated as confidential to the extent practical, to be used only for the purpose of addressing the specific problem. Such reports will be shared by Company management and other authorized individuals only on a need-to-know basis. The Company will take no adverse action against any person who makes such a report as long as a report is made honestly and in good faith. Employees must note, however, that failure to report known or suspected wrongdoing of which an employee has knowledge may, by itself, subject that employee to disciplinary action.

Employees may report actual or potential FCPA violations on an anonymous basis via the whistleblower hotline at the web address or hotline number listed below:

EthicsPoint
www.ethicspoint.com
866-294-9323
Or click on the EthicsPoint logo on
the Company's website at
www.haynesintl.com

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DUE DILIGENCE CHECKLIST FOR THE HIRING OF AGENTS
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Complete this checklist prior to retaining any foreign agent, intermediary or distributor.
Retain a copy in the file.

INTERNAL REVIEWS

1. What is the project or inquiry at issue?
2. What is the agent's relationship to the project under consideration?
3. What type of activities will the agent engage in on behalf of the Company?
4. What is the legal status of the agent (individual, corporation, partnership)?
5. Is the agent located in the country where the project is to be completed?
6. Does the agent have an office or other business facilities? Please provide address.
7. Does the agent have employees or a staff?
8. Does the agent have the necessary foreign language capabilities?

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9. Will any part of the fee paid to the agent be paid directly to any official or employee of the host country's government, any political party or party official, any political candidate or any private sector employee?

10. What is the going rate in the country for the agreed work or comparable work?

EXTERNAL CHECKS

1. Determine whether the agent has a reputation for integrity and ethical conduct.
 - a. Determine whether agent's name appears in any international, regional or local government authority, or criminal, regulatory or enforcement activity database. Describe.
 - b. Determine whether the agent has held any government positions in the past. Describe any such positions and the responsibilities of such positions.
 - c. Obtain and attach a report from Dunn & Bradstreet or another research firm of like reputation.

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2. Determine whether the agent, any immediate relative of the agent or any principal of the agent's organization is an official or employee of the host country's government, a political party or party official, a political candidate or an employee of a private-sector business owned by the government. Describe.

3. Determine whether the agent, any immediate relative of the agent or any principal of the agent's organization has a business or professional affiliation or relationship with an official or employee of the host country's government, a political party or party official, a political candidate or an employee of a private-sector business owned by the government. Describe.

4. Determine whether any government, government agency, government-owned business, government organization or government employee owns any interest or exerts control over the agent or the agent's organization. Determine the nature and extent of such interest (if any). Describe.

5. Determine whether any of the principals of the agent's organization have been employed by the government in the past. Describe.

6. Obtain and attach a certification from the agent to the effect that the agent understand the U.S. Foreign Corrupt Practices Act of 1977, as amended, and agrees to comply with it and the Company's related policy.