

**KMG Chemicals, Inc.**  
**Code of Business Conduct**

**I. The Commitment to Ethical and Legal Conduct**

KMG Chemicals Inc. is committed to conducting its business ethically and legally throughout the world and it is our policy to act lawfully and in a highly principled manner in all our business practices. This Code of Business Conduct (“Code”) summarizes the Company’s ethical and legal policies and practices but it does not cover all Company policies. Additional practices required of employees are included, for example, in the Company’s employee handbook.

This Code is applicable to all employees, officers and directors of the Company and its subsidiaries and joint ventures that have adopted this Code and each of those persons is responsible for learning and following the Code. Employees should direct questions they may have about any aspect of this Code to their immediate supervisor or the General Counsel. Throughout this Code, “KMG” or the “Company” refers to KMG Chemicals, Inc. and its subsidiaries and joint ventures that have adopted the Code.

**II. Policies and Practices**

**A. Workplace Conduct**

The Company is committed to fostering a work environment in which all individuals are treated with respect and dignity. Each individual should be permitted to work in a business-like atmosphere that promotes equal employment opportunities and prohibits discriminatory practices. Therefore, the Company expects that all relationships among persons in the workplace will be business-like and free of unlawful bias, prejudice and harassment. It is the Company's policy to ensure equal employment opportunity without discrimination or harassment on the basis of race, color, national origin, religion, sex, age, disability, or any other status protected by law.

No Company employee may interfere with or retaliate against another employee who seeks to invoke his or her rights under the laws governing labor and employee relations. If any employee has any question about the laws or Company policies governing labor and employee relations, consult the employee handbook or contact the human resources department or the General Counsel.

**B. Environment, Health and Safety**

Protecting people and the environment is a basic commitment of the Company. Each employee should take personal responsibility to see that applicable government and Company standards are satisfied. All employees are expected to be familiar and comply with environmental, health and safety laws applicable to their area of the Company’s business. Since those laws are complicated and subject to frequent change, employees

should obtain the advice of their supervisor or the General Counsel whenever they have doubt as to the lawfulness of any action or inaction.

### **C. Conflicts of Interest**

Conflicts of interest result from situations or activities which may benefit the employee, officer or director by virtue of his position with or at the expense of the Company. A conflict of interest may also exist if a family member's interest interferes with a person's independent exercise of sound judgment. Employees, officers and directors are obligated to place the Company's interests above their personal interest and the interest of family members and to disclose the facts in any situation where a conflict of interest may arise. Employees, officers and directors should avoid any activity, investment or interest that might involve or appear to involve a conflict of interest with the Company.

#### **1. Interests in Other Businesses**

Unless a waiver is granted, employees, officers and directors shall not perform services for or have a financial interest in a private company that is or may become a supplier, customer, or competitor of the Company. Without a waiver, employees, and officers also shall not perform services for or have a significant interest in a publicly traded company that is or may become a supplier, customer or competitor of the Company. Outside directors shall advise the Company before providing services for or having a significant interest in a publicly traded company that is or may become a supplier, customer or competitor of the Company. A significant interest is one that might influence or be reasonably thought to influence one's judgment or actions.

In addition, the Company's employees, officers and directors may not acquire any interest in outside entities, properties or assets in which the Company has an interest or potential interest. The prohibition includes acquiring stock in businesses being considered for acquisition and acquiring real estate at or near possible new or expanded Company facilities.

If a family member of the employee, officer or director engages in an activity that would be considered a conflict of interest if the related employee, officer or director were to undertake it, then a conflict of interest shall be deemed to exist with respect to such employee, officer or director.

An employee's conflict of interest may only be waived if both the General Counsel and the employee's supervisor waive the conflict in writing. Officers and directors are under a continuing obligation to promptly disclose to the Board of Directors any situation that presents the possibility of a conflict or disparity of interest between the officer or director and the Company. The conflict of interest of an officer other than an executive officer may only be waived if the Board of Directors approves the waiver. The conflict of interest of an executive officer or director may only be waived by the Board of Directors and must be promptly disclosed to the Company's shareholders along with the reason for the waiver.

## **2. Outside Work**

No employee should engage in outside or “moonlighting” work that will interfere with their job performance at the Company, affect their objectivity in carrying out their Company responsibilities or conflict with Company assignments or work hours. Any outside work requires prior written notice to the employee’s supervisor. Employees who do outside work may not use Company time, facilities or resources for the work.

## **3. Use of Company Property and Information**

All employees are responsible for the proper use of the Company's physical resources and property, as well as its proprietary and other confidential information. Unless otherwise prohibited by an employee's supervisor, reasonable incidental use of a Company telephone, computer or other equipment is permitted. Company property, facilities or physical resources may not be used for solicitation or distribution activities which are not related to an employee's services to the Company, except for charitable activities that have been approved in writing in advance by the Company.

### *Questions to Ask Yourself*

- Could my outside business or financial interests adversely affect my job performance or my judgment on behalf of the Company?
- Can I reasonably conduct my business outside of normal Company work hours and prevent my outside customers, clients or affiliates from contacting me at work?
- Will I be using Company equipment, materials, or proprietary information in my outside business?

## **D. Gifts and Entertainment**

Giving or accepting any gift of more than nominal value or entertainment that is more than a routine social amenity can appear to be an attempt to influence the recipient. Employees should not place themselves in either any actual or apparent obligation to anyone by accepting gifts or entertainment that is intended or appears to be intended to influence the employee’s business judgment. Normal business entertainment such as lunch, dinner, theater, a sporting event and the like is appropriate if of a reasonable nature and in the course of a meeting or another occasion the purpose of which is to hold business discussions or to foster better business relations.

### *Questions to Ask Yourself*

- Am I offering something in order to obtain special treatment for the Company?
- Will I favor this supplier because he gives me a gift?
- If my supervisor knew about the gift a supplier/vendor/customer gave to me, would he/she approve?
- How often this year have I provided gifts to this customer?
- Are the gifts I am providing customary in the industry?
- How often this year have I taken gifts from this supplier/vendor?
- If this gift or payment were disclosed to the public, would it embarrass the Company?
- When you give a gift or if you accept a gift is there a sense of obligation created as a result of the gift?

### **E. Company Proprietary and Other Confidential Information**

Every employee should be aware that in any competitive environment, proprietary information and trade secrets must be safeguarded in the same way that all other important Company assets are protected. Information concerning pricing, products and services that are being developed, and other such trade secrets, including information pertaining to any prospective Company acquisition or divestiture, must be held in the strictest confidence, and reasonable prudence and care should be exercised in dealing with such information in order to avoid inadvertent inappropriate disclosure. Each employee signs an agreement respecting the confidentiality of Company information, and the Company expects strict compliance with it.

### **F. Political Activity and Contributions**

Employees are free to exercise the right to make political contributions within legal limits. The Company will not reimburse any employee for political contributions and employees should not attempt to receive or facilitate such reimbursements. Contributions should not be made with the expectation of favorable government treatment in return. In any event, all contributions, by whoever made, are subject to a series of complex and sometimes inconsistent rules governing, among other things, the amount of and manner in which contributions may be made.

### **G. Securities Laws – Insider Trading**

Employees may not trade in (or even recommend) Company stock based on inside information. “Insider trading” is the purchase or sale of a publicly traded security while in possession of important non-public information about the issuer of the security. Such information includes, for example, non-public information on Company earnings, significant gains or losses of business, or the hiring, firing or resignation of a director or officer of the Company. Insider trading and “tipping”, which is communicating important non-public information to anyone who might use it to purchase or sell securities, are

prohibited by the securities laws. When in doubt, information obtained as an employee of the Company should be presumed to be important and not public. We have adopted a detailed policy concerning insider trading which is distributed to all employees. Employees who have questions pertaining to the sale or purchase of a security under circumstances that might involve confidential information or securities laws should consult the insider trading policy or ask the General Counsel. The General Counsel may refer individuals to their personal attorneys.

#### *Questions to Ask Yourself*

- Does information I have learned about the Company make me want to buy stock?
- If the newspaper published what I know, would it make the Company's stock rise or fall?
- How would the trade I am considering look to government prosecutors if it became the subject of an investigation?

### **H. Antitrust Compliance**

The Company competes vigorously for business and is committed to compliance with antitrust and competition laws where its products and services are made or sold. Those laws generally prohibit practices that might unreasonably restrict competition. Accordingly, employees must not act in ways that violate antitrust and competition laws. Competitors generally may not agree with each other:

- on prices or other terms of sale;
- on terms of a bid or whether or not to bid;
- to allocate or limit customers, geographic territories, products or services;
- to boycott one or more customers or suppliers for anticompetitive aims; and
- to limit production volume or research and development, to refrain from certain types of selling or marketing of goods or services, or to limit or standardize the features of products or services.

This Code is not intended as a comprehensive review of the antitrust laws and it is not a substitute for expert advice. Any employee who has questions concerning a specific situation should contact the General Counsel before taking action.

### **I. Government Relationships and International Operations**

What is acceptable practice in the commercial business environment may be against the law or the policies of federal, state or local governments. Therefore, all employees engaged in business with government must know and abide by the specific rules and regulations covering relations with the government body. Those employees must also conduct themselves in a manner to avoid even the perception of an attempt to improperly influence public officials in the performance of their official duties.

Employees must uphold the integrity of the Company in all countries where the Company does business. When conducting business in other countries, employees must comply with foreign legal requirements and United States laws that apply to foreign operations, including the Foreign Corrupt Practices Act (FCPA). The FCPA generally makes it unlawful to give anything of value to foreign government officials, foreign political parties, party officials, or candidates for public office for the purposes of obtaining or retaining business for the Company.

#### **J. Anti-Boycott and Export Control Requirements in International Operations**

It is Company policy to comply with United States anti-boycott legislation. This applies to the Company everywhere we do business, in all parts of the world. Anti-boycott law is intended to prevent the Company from taking any action in support of a boycott imposed by one country upon a country that is friendly to the United States.

Under U.S. anti-boycott legislation, the Company is required to report the receipt of any request to participate in an international boycott. Requests are often found in letters of credit, shipping instructions, certificates of origin and other contract-related documents. An example of a typical boycott request would be a request for a “negative certificate of origin.” With this type of request, the customer will ask for our certification that the “products supplied are not made in Israel, directly or indirectly, in whole or in part” or words to that effect. Complying with this request is prohibited by law and must be reported to the United States Government. Failure to report receipt of these requests is also a violation of anti-boycott legislation. The receipt of a boycott request must be reported immediately to the General Counsel, whether or not the transaction takes place. It is not enough to merely reject the request.

It is also Company policy to comply with the export control laws and regulations of all countries in which we do business. Compliance with these laws and regulations may result in some loss of business opportunities for the Company. Failure to comply may result in heavy fines and penalties and loss of exporting privileges.

Compliance with export control regulations requires that the Company **know** the end-use **and** end-user for all Company transactions. **No** Company products, systems, technology or software may be used in the manufacture or production of chemical, biological or nuclear weapons or missiles to deliver these weapons. Under export control laws, our employees are prohibited from using Company products for the manufacture or production of chemical, biological or nuclear weapons or missiles to deliver those weapons. It is the Company’s obligation to ensure that our products are used in a legitimate and responsible way. Contact the General Counsel if you have any question whether a transaction is appropriate under the export control requirements.

## **K. Questionable Payments and Fraud**

It is against Company policy for any employee to make unlawful, improper or other kinds of questionable payments to customers, government employees or other third parties. The Company competes for business on the merits of price, quality and service and not with questionable payments.

Company employees must not make questionable payments such as expensive gifts, bribes or other payments designed to influence or compromise the conduct of the recipient and no employee of the Company shall accept any such payments. Company employees should conduct their business affairs in such a manner that the Company's reputation will not be harmed if the details of their activities should become a matter of public discussion. Employees must not engage in any activity which degrades the reputation or integrity of the Company.

Any employee found to be receiving, accepting or condoning a bribe or other unlawful payment, or attempting to initiate such activities, will be subject to termination and possible criminal proceedings. Any employee found to be attempting fraud or engaging in fraud will be subject to termination and possible criminal proceedings. All employees have a responsibility to report actual or attempted questionable payments or fraud.

## **L. Integrity of Financial Records and Financial Reporting**

The Company is committed to maintaining the accuracy and integrity of its financial records. The Company has adopted controls in accordance with those needs and the requirements of applicable laws and regulations, including the need for full, fair, accurate, timely and understandable disclosures in reports filed with the U.S. Securities and Exchange Commission and in other public communications. These established accounting practices and procedures must be followed to assure the complete and accurate recording of all transactions. All employees are expected to adhere to these procedures in the conduct of their activities.

In addition, all material off-balance-sheet transactions, arrangements and obligations, contingent or otherwise, and other relationships of the Company with unconsolidated entities or other persons that may have material current or future effects on the financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenues or expenses must be disclosed to the audit committee and the Company's independent auditors.

No employee or non-employee director may interfere with or seek to improperly influence, directly or indirectly, the auditing of the Company's financial records. Violation of these provisions shall result in disciplinary action, up to and including termination, and may also subject the violator to substantial civil and criminal liability.

If an employee becomes aware of any improper transaction or accounting practice concerning the Company, the employee should report the matter immediately to his or her

supervisor or to a member of the audit committee. A supervisor receiving a report of an improper transaction or accounting practice shall report the matter to a member of the audit committee.

#### **M. Fair Disclosure and Authorized Spokespersons**

The Company is committed to fair disclosure of information to its shareholders, the financial community, and the public. We have adopted a policy respecting fair disclosure. Under that policy, the Company speaks to the financial community and its shareholders through authorized representatives. Only certain designated persons are authorized to communicate on behalf of the corporation to analysts, securities market professionals and major stockholders of the corporation. Other officers or employees of the corporation may from time to time communicate with analysts and investors as part of the Company's investor relations program. In such instances, an authorized representative will also be present. No employee is authorized to communicate business or financial information about the Company that is non-public, material information, except through Company sanctioned public disclosure or for business purposes under a non-disclosure agreement. For further information, employees are referred to the Company's fair disclosure policy. Except as specified in the policy, employees should not communicate to analysts and investors and should refer all questions to the Chief Executive Officer or, in his or her absence, another authorized representative.

### **III. Compliance with the Code of Conduct**

All employees, officers and directors have a responsibility to understand and follow this Code. In addition, all employees are expected to perform their work with honesty and integrity in any areas not specifically addressed by the Code. A violation of this Code may result in appropriate disciplinary action including the possible termination from employment with the Company without additional warning.

The Company strongly encourages dialogue among employees and their supervisors to make everyone aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations. In addition, each officer and supervisory employee of the Company has an obligation to annually certify that he or she has read and reviewed this Code of Conduct with his or her subordinates, and every employee must certify that he or she has read this Code of Conduct and to the best of his or her knowledge is in compliance with all its provisions.

Any waiver of this Code for executive officers or directors may be made only by the Board of Directors and must be promptly disclosed to the Company's shareholders along with the reason for the waiver.

The Board of Directors of KMG Chemicals, Inc. has the exclusive responsibility for the final interpretation of the Code. The Code may be revised, changed or amended at any time by the Board of Directors of KMG Chemicals, Inc.

#### **IV. Reporting Non-Compliance**

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

The General Counsel will assist in the administration of this Code. As part of its commitment to ethical and legal conduct, the Company expects its employees, officers and directors to bring information about suspected violations of this Code or of law to the attention of the General Counsel or to the persons the General Counsel designates. Employees who have information about suspected improper accounting or auditing matters should bring it to the attention of their supervisors and/or a member of the audit committee and the supervisor should bring it to the attention of the audit committee. Employees are required to come forward with information without regard to the identity or position of the suspected offender. The Company will treat the information in a confidential manner (consistent with appropriate evaluation and investigation) and will seek to ensure that no acts of retribution or retaliation will be taken against anyone for making a report.

Because failure to report criminal activity can itself be understood to condone the crime, the Company emphasizes the importance of reporting. Failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

##### **B. Complaint Procedure**

If you have questions or concerns about the application of this Code to any situation; you are encouraged to talk with your supervisor or the General Counsel. Information about known or suspected violations should be reported promptly. Whenever practical an employee, officer or director should report in writing but you may also call the Company's confidential Hotline at (800) 990-8384.

Reports of violations will be investigated under the General Counsel's or audit committee's supervision. Persons subject to this Code are expected to cooperate in the investigation of reported violations.