



Business Conduct Guidelines

October 2004

Dear Stanley Associate,

Stanley started doing business more than 161 years ago and quickly established a reputation for integrity in its dealings. Now that we have grown to be a large business enterprise, it is appropriate to reemphasize this commitment which has been ours for more than 161 years.

The central message of this booklet is that our actions must conform to two of Stanley's Leadership Qualities:

Integrity: We will conduct all of our dealings with suppliers, customers, fellow associates and everybody else with integrity and plain old-fashioned honesty.

Respect: In our dealings with all people inside and outside the Company, we will treat them with dignity and respect.

Please read this booklet carefully. By necessity, it contains mainly general principles, however, its underlying theme is absolutely fundamental — Stanley people do business only in accordance with the highest ethical and legal standards.

If you learn of wrongdoing or unethical behavior, you are required to take the initiative to do something about it. If you are an employee, assistance will be available from your supervisor or from the general manager of your business unit. **We must all remember that to participate in, to condone, or to ignore any questionable behavior is to be part of it.**

If, for any reason, you are uncomfortable with these channels of communication, contact Bruce Beatt, General Counsel, Legal Department, or me. Our telephone number at World Headquarters is (860) 225-5111, and Bruce can be reached at (800) 424-2987 (extension 53822). Your comments, which can be anonymous, will be treated in the strictest confidence. You will not suffer retribution or punishment for reporting violations.

John F. Lundgren

TABLE OF CONTENTS

Statement of Chairman	Cover
Introduction	[3]
I. Company Policy Concerning Business Conduct	[4]
II. Conflict of Interest	[4]
III. Bribery, Political Contributions, Accurate Documentation and Taxes	[5]
IV. Confidentiality of Inside Information and Trading in Securities	[7]
V. Compliance with Environmental, Health and Safety Laws	[7]
VI. Harassment; Sexual Harassment	[8]
VII. Antitrust Compliance	[8]
VIII. International Boycotts	[11]
IX. Citizenship	[12]
X. Equal Employment Opportunity and Diversity; Fair Employment Practices; Privacy of Employee Personal Information; Electronic Communication and Copyright Laws	[12]
XI. Fair Dealing	[13]
XII. Company Assets	[13]
Supplement	[14]

INTRODUCTION

This booklet has been prepared to enable you to understand Company policy on business conduct. In this booklet “Company” refers to The Stanley Works and its subsidiaries and divisions throughout the world.

Much of the booklet outlines legal requirements. It is impractical to cover in a single booklet all the significant legal requirements of each country in which the Company does business. Because Stanley is a United States corporation, many U.S. laws apply to all of our operations and employees worldwide, so particular attention has been directed to these legal requirements. In addition, on June 27, 2000 the 29 member countries of the Organization for Economic Co-operation and Development together with Argentina, Brazil, Chile and the Slovak Republic adopted the OECD Guidelines for Multinational Enterprises. These Guidelines embody many of the principles contained both in our Business Conduct Guidelines as well as in the U.S. legal requirements described in this booklet.

Every employee, officer and director of Stanley has a responsibility to read and understand these Guidelines. **Employment at Stanley is dependent on compliance with these Guidelines. Compliance includes a duty to report any violation of the Guidelines. Any failure of compliance will result in discipline, including termination in appropriate circumstances. Disciplinary action will be taken not only against individuals who authorize or participate directly in a violation of the Guidelines but also against the violator’s managerial supervisor, to the extent that the circumstances of the violation reflect inadequate supervision and leadership by the superior.** If you have questions or are uncertain as to a proper course of action, please contact your supervisor or the Legal Department.

For those of you who are **managers**, you have the **additional responsibility** of making sure that all employees and agents reporting to you adhere to the Business Conduct Guidelines. This supervisory responsibility for compliance rests on your shoulders, and cannot be delegated.

Any violation of the Guidelines by a director or executive officer will be reported to the Company’s Board of Directors. Any waiver of the requirements of the Guidelines for executive officers or directors may only be made by the Company’s Board of Directors and must be promptly reported to the Company’s shareholders.

No book of rules can provide all the answers. You are responsible for your actions, and this responsibility will not always be an easy one. The next time you have an ethical dilemma, you might try this test. Ask yourself: If the full glare of examination by newspapers, associates, friends or family were to focus on your decision, would you remain comfortable with it? If you think you would, it probably is the right decision.

Officers, directors, and certain levels of management personnel will report in writing annually to Stanley’s General Counsel on their compliance with these Guidelines and their knowledge of compliance by others.

I. COMPANY POLICY CONCERNING BUSINESS CONDUCT

Here are the principles of business conduct to which each employee, officer and director is expected to adhere in order to assure that the Company conducts itself in a manner consistent with its obligations to its shareholders and to society:

1. **LOYALTY TO THE COMPANY** — Employees, officers and directors owe a duty of loyalty to the Company and should advance its legitimate interests when the opportunity to do so arises. Employees, officers and directors are prohibited from (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information or position; (b) using corporate property, information, or position for personal gain; and (c) competing with the Company.
2. **COMPLIANCE WITH ALL APPLICABLE LAWS** — While we must compete vigorously to optimize our return to our shareholders, we must always do so in strict compliance with all laws and regulations applicable to our activities. No employee, officer or director should at any time take any action on behalf of the Company that he or she knows or reasonably should know violates any applicable law or regulation, nor should any employee, officer or director encourage another (for example, a supplier, a customer or another employee, officer or director) to take any such action. These Guidelines outline basic requirements of laws relating to accurate documentation, inside information and securities, antitrust, international boycotts and certain other matters. These laws are specifically mentioned because of their particular importance to our business activities. It should be understood, however, that this policy is not limited to them, but extends to all applicable laws and regulations.
3. **OBSERVANCE OF MORAL AND ETHICAL STANDARDS OF SOCIETY** — In addition to these requirements of loyalty to the company and compliance with law, each employee, officer and director must adhere to and comply with the moral and ethical standards of society in the conduct of business. The Company's interests never can be served by individual corner-cutting in the interests of a seeming quick profit or temporary advantage.

II. CONFLICT OF INTEREST

A “conflict of interest” occurs when an individual’s private interest interferes in any way – or even appears to interfere – with the interests of the Company as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the company.

Disclosures of personal interests or of other circumstances which might or might be thought to constitute conflicts of interest are to be made promptly by the employee, officer or director to the Company’s General Counsel. Such disclosures will be held in confidence to the fullest extent consistent with the circumstances. In the event a conflict is found to be present, arrangement will be made for resolution in a manner best suited to

the interests of the Company and the individual. It is essential to keep in mind that when an individual confronts a possible conflict of interest, prompt and full disclosure is the correct first step towards solving the problem.

The attached Supplement sets forth additional requirements for those involved in the procurement of goods and services.

COMMON SOURCES OF CONFLICTS. With respect to employees, conflicts of interest generally arise in four situations.

1. When an employee, a member of his or her family or a close personal relation of the employee has a significant direct or indirect financial interest in, or obligation to, an actual or potential competitor, supplier or customer;
2. When an employee conducts business on behalf of his or her company with a supplier or customer of which a member of his or her family or a close personal relation of the employee is a principal, officer or representative;
3. When an employee, a member of his or her family or a close personal relation of the employee directly or indirectly accepts gifts of more than token or nominal value from an actual or potential competitor, supplier or customer;
4. When an employee also serves as an employee or agent of another employer under circumstances detrimental to his or her company.

A “close personal relation of an employee” is any person whose relationship is so close and of such an intimate nature that it may reasonably be expected to decrease the employee’s ability to consistently exercise objective and unbiased business judgment.

III. BRIBERY, POLITICAL CONTRIBUTIONS, ACCURATE DOCUMENTATION AND TAXES

1. Bribery is the giving of money or anything else of value in an attempt to influence unlawfully the action of a public official, supplier or customer. No employee, officer or director should pay, offer or authorize any bribe or make any other unlawful payment on behalf of the Company, no matter how small the amount.

The Company’s operations outside the United States invoke to some degree contact with representatives from foreign governments on issues ranging from governmental purchases, the issuance of permits or obtaining authorization for certain activities. Any involvement with foreign governments implicates the U.S. Foreign Corrupt Practices Act as well as the Anti-Bribery and Fair Competition Act of 1998.

The Foreign Corrupt Practices Act prohibits payments or offers of anything of value by a U.S. company or any person acting on its behalf to any foreign official, foreign political party or party official or candidate for foreign political office, for the purpose of inducing the foreign official, candidate or political party to exert influence to assist the company in obtaining or retaining business. This prohibition extends to

payments to consultants, agents or other intermediaries when the payor knows that some part of the payment or “fee” will be used for a bribe or otherwise to influence the acts of any foreign official or his or her government.

The Anti-Bribery Act broadens certain provisions of the Foreign Corrupt Practices Act. First, it applies to any person or entity (not just U.S. companies) so long as the offense is committed, in whole or in part, within the United States. Second, it prohibits payments to foreign officials to obtain or retain business and it prohibits payments to obtain any other improper advantage in the conduct of international business.

Facilitating payments may be made in small amounts to minor governmental officials outside the United States to obtain performance of non-discretionary functions or services which they are obliged to perform as part of their governmental responsibilities but which there is strong reason to believe they may refuse or delay unless compensated. Any such payments, prior to being made or within ten days after being made, require notice to the Chief Executive Officer.

2. Payment (other than for purchase of a product) or giving of a gift of other than token or nominal value to suppliers or customers or their agents, employees or fiduciaries may constitute a commercial bribe, which may also be a violation of law. Commercial bribery is also against the policy of the Company; and no employee, officer or director may engage in such bribery on behalf of the Company.

3. In the United States and in some other countries it is unlawful for political contributions to be made by corporations, whether by the direct or indirect use of corporate funds. In those countries such contributions by employees, officers and directors must not be made, or even appear to be made, with the Company’s funds, or be reimbursed from the Company’s funds; nor should the selection of a candidate or of a party be, or seem to be, coerced or influenced by the Company. Where political contributions by corporations are legal, they should be made only if approved in advance by Stanley’s Chief Executive Officer and they must not be treated as expenses for tax purposes unless the law clearly permits such deductions to be taken.

4. All reporting and record keeping — whether sales results, expenses incurred, equal opportunity efforts or other information — should be accurate and timely and should be a fair representation of all the facts. Data should not be organized in any way to mislead or misinform the reader. All of Stanley’s documents should show the details of the transaction reflected therein and that the transaction was properly authorized, and Stanley’s financial procedures should be followed in the preparation of all documents.

5. It is the policy of the Company to obey both foreign and domestic tax laws and foreign exchange control laws. No employee, officer or director should enter into any transaction on behalf of the Company which he or she knows or reasonably should know would violate such laws.

IV. CONFIDENTIALITY OF INSIDE INFORMATION AND TRADING IN SECURITIES

Employees, officers and directors should maintain the confidentiality of information entrusted to them by the Company, its customers and its vendors, except when disclosure is authorized or legally mandated. Until released to the public, information concerning Company plans, customer and vendor relations, new product introductions, marketing plans and Company, customer and vendor successes and failures is considered “inside” information and is proprietary to Stanley and confidential. Any person who uses such information for personal benefit in any way whatsoever (including trading in Company, customer or vendor shares) or who discloses it to persons other than those within the Company whose positions require them to know it, violates the Company’s interests. The “inside” information in anyone’s possession is “material” if it is important enough to affect the decision of that person or anyone else to buy, sell or hold Company, customer or vendor securities. Examples of “material” information include advance knowledge of earnings, sales figures, dividend actions, a new product or discovery, contract awards, and mergers or acquisitions. Anyone possessing “material” “inside” information who trades in Company, customer or vendor securities commits a fraud not only against the Company but also against members of the investing public who suffer by trading without the benefit of the confidential information the “insider” possesses. Several rigidly enforced U.S. laws and regulations are intended to prevent misuse of corporate information by regulating the manner in which securities may be bought or sold. Directors, executive officers and certain employees are not permitted to trade in Company securities without reviewing the proposed transaction with Stanley’s General Counsel and receiving an opinion that the proposed transaction is legal.

V. COMPLIANCE WITH ENVIRONMENTAL, HEALTH and SAFETY LAWS

The Company recognizes its obligation to carry out all of its activities in ways that preserve and promote a clean, safe and healthful environment and protect the health and safety of its employees. It is the policy of Stanley to endeavor to ensure that all of its employees, officers, directors and agents comply strictly with the letter and spirit of applicable environmental, health and safety ("EH&S") laws and the public policies they represent. Stanley will promote compliance with this policy through vigilant self-monitoring and the education, encouragement and, where necessary, discipline of employees at all levels.

Stanley prohibits, without exception, the entry of information known to be false on any governmental form, on any monitoring report, or in response to any request for information from any governmental agency. Tampering with or dilution of samples, or otherwise providing false information about the results of sampling, as well as the intentional failure to follow permit conditions or applicable protocols for collecting, sampling, testing, analyzing, or recording of EH&S data are also strictly prohibited. Additionally, bypassing any environmental control (except in accordance with an applicable law or permit) or monitoring device is strictly prohibited.

All employees must immediately report any spill or other unpermitted release of a

hazardous substance to their supervisor, the plant manager or Stanley's Corporate EH&S Director. Any necessary report to governmental authorities of a spill or release will be made by Stanley's EH&S staff within statutory or regulatory deadlines, after consultation with Stanley's General Counsel.

Every employee must be trained to perform work safely. All employees are responsible for knowing and following the safety practices described to them. Should an employee feel inadequately trained to perform a certain task, he or she must immediately discuss the concern with his or her supervisor.

VI. HARASSMENT; SEXUAL HARASSMENT

The Company's policy is to provide a workplace free from harassment. The Company will not tolerate any type of harassment - including sexual harassment or harassment based on gender, race, ethnicity, national origin, religion or sexual preference.

The term "workplace" includes not only the physical office. It also includes any place where you are conducting Stanley business or are traveling on Stanley business as well as any Internet Web Sites that are related to the Company, whether or not Company sponsored. Harassing conduct that occurs on a Company related website or through Company e-mail will be treated in the same manner as similar conduct in the physical workplace. Employees are prohibited from uploading, downloading, transmitting or printing materials that are sexual, pornographic, racist, defamatory or offensive to certain legally protected groups.

In addition, it is the responsibility of all employees to ensure that their conduct in the workplace allows others to work in an atmosphere free from sexual harassment. Employees are required to report all incidents of sexual harassment immediately and without fear of retaliation to their supervisor, human resources representative, Jim Tallaksen, Bruce Beatt, Katy Sherer, David Winakor or John Lundgren. All incidents of alleged sexual harassment will be investigated and appropriate corrective and disciplinary action will be taken, if warranted. Sexually harassing conduct includes the threat or implication by a supervisor that an employee's refusal to submit to sexual advances will have an adverse effect on the employee's employment or conditions of employment. Other prohibited conduct by both supervisory and non-supervisory employees includes the making of unwelcome sexual advances, the display in the workplace of sexually suggestive objects or pictures, verbal abuse of a sexual nature and any other conduct of a sexual nature that has the effect of unreasonably interfering with an individual's work performance or creates an intimidating, hostile or offensive work environment.

VII. ANTITRUST COMPLIANCE

Compliance with applicable antitrust laws is the policy of the Company and the responsibility of each employee, officer and director. Failure to comply could result in serious consequences for the Company and offending individuals. Many violations of antitrust laws are criminal and can subject companies and individuals to heavy fines and

possible imprisonment. In addition, companies may be required to pay substantial damages and be ordered to refrain from engaging in the activity. Frequently such orders will extend across the entire product line of a company, although the violation relates only to a single product. And, of course, the company's reputation may be damaged even if it prevails in a legal action.

Here is a brief outline of some of the antitrust principles that may govern transactions in which the Company takes part. It is important to remember that it is not possible to cover all areas with which antitrust is concerned. In all of your dealings on behalf of the Company, therefore, be guided by the following rule: Whenever you are involved in any activity in which competitive restraint or common pricing or purchasing policies are present, consult with the Legal Department.

Remember, antitrust laws of countries other than, and in addition to, those of your own country, may be applicable.

U.S. ANTITRUST PRINCIPLES

At the heart of the U.S. antitrust laws is the conviction that the economy of a country and its public will benefit most if businesses compete vigorously and independently, free from understandings or agreements with competitors and others that limit their freedom to compete on any legitimate basis. The chief antitrust statute in the United States, the Sherman Act, prohibits conspiracies and understandings that unreasonably restrain the domestic or foreign commerce of the United States. The following principles have evolved under the statute.

1. **RELATIONS WITH COMPETITORS** — Virtually any discussion or communication between competitors with respect to price or any element of price (discounts, credit terms, warranty terms, time of price increases, etc.) is flatly prohibited.

In addition, allocation of successful bids among competitors, sharing of bid information before bids are submitted (including information on bids to different contractors when it is known that the contractors are bidding on a larger common job), rotating bids among competitors, agreeing with competitors to refrain from bidding, and deliberately submitting non-competitive bids is prohibited.

Also flatly prohibited in virtually all cases are discussions between competitors with respect to:

- a. Amount of their production;
- b. Division or allocation of markets, territories, or customers; and
- c. Boycotting of mutual customers, suppliers, competitors or other third parties.

All arrangements in these areas are unlawful and cannot be defended or justified

in any way, no matter how good the competitors may have thought their intentions to be.

Do not be misled to think that the prohibited conspiracies and understandings relate only to formal documents signed by the parties. A conspiracy or understanding also will be found to exist where it is shown that there was any kind of mutual understanding which gave the parties a basis for expecting that a business practice or decision adopted by one would be followed, or at least not opposed, by the other.

You should never meet with a competitor or attend a meeting where competitors are present without consulting the Legal Department first.

2. **RELATIONS WITH CUSTOMERS —**

- a. Unreasonable restraints on resale are unlawful. This encompasses, for example, an agreement or understanding by the seller and customer with respect to the price at which the customer will resell a product.
- b. Refusals to Deal — A company that does not have a monopoly in a product still has the right to select the customers with whom it chooses to do business. This is a right which must be exercised by the company alone without consultation with any other party. The right may never be relied upon as the basis for required adherence by a customer to resale restrictions (for example, fixing the customer's resale price) which otherwise would violate the antitrust laws. Threats to customers that they will be cut off if they do not comply with resale policy pose serious problems and should never be made.
- c. Tying Arrangements — Any arrangements under which a seller forces a customer to take a product it might not otherwise wish to buy from seller as a condition of being able to purchase a different product the buyer does wish to obtain is generally unlawful.

3. **RELATIONS WITH SUPPLIERS — Trade Relations —** The use of trade relations and reciprocity, whether used coercively or only by way of mutual patronage, is prohibited where it is shown that a buyer with substantial purchasing power has purchased a product from another on condition that the other party make purchases from it in substantial amounts. The law does not prohibit a company from purchasing products from companies who purchase from it. It does prohibit any understanding or agreement to the effect that purchases by each party are conditioned upon purchases by the other.

APPLICABILITY OF U.S. ANTITRUST LAWS TO INTERNATIONAL TRANSACTIONS

The Sherman Act is applicable to international transactions in which any U.S. person or corporation is a party where it may be shown that the transaction has any substantial effect on the foreign commerce (for example, imports and exports) of the U.S. An arrangement which would restrain a U.S. company from selling abroad or a non-U.S. company from selling into the U.S. would clearly be subject to U.S. jurisdiction. The

statute also reaches transactions in which only non-U.S. citizens or businesses are involved where it is shown that there has been a substantial effect upon U.S. foreign commerce and that such effect was intended by the parties.

NON-U.S. ANTITRUST LAWS

Although some countries have had antitrust statutes in effect for a substantial period (for example, the Canadian statute dates back to 1889), antitrust in countries other than the U.S.A., particularly in industrial Western Europe, is a post-World War II phenomenon. Antitrust laws of varying degrees of strictness may now be found in a large number of countries.

One major source of antitrust regulation outside the U.S.A. is found in the Rome Treaty of 1957 which established the European Common Market. Article 81(1) of the Treaty specifically prohibits all concerted practices which are likely to affect trade between the Member States and which have as their object or result the prevention, restriction or distortion of competition within the Common Market. Examples listed which are deemed to fall within 81(1) include such common restraints as price fixing, production limitation, price discrimination and tie-in arrangements. Article 81(3) exempts from the prohibition of 81(1) agreements which may be shown to contribute toward improving production or distribution of goods or promoting technical or economic progress within the Common Market while reserving to users a fair share in profit, without imposing upon the enterprises concerned any restriction which is not essential for attaining such objectives or giving such firms the power to eliminate competition in a substantial part of the Market. However, an exemption under Article 81(3) is not available unless the restrictive agreement has been registered with the secretariat of the European Economic Community.

In addition to the Treaty of Rome, antitrust laws exist in Germany, the United Kingdom and several other European nations. In addition, there are approximately 100 countries in the world with antitrust laws.

VIII. INTERNATIONAL BOYCOTTS

Several U.S. statutes are expressly applicable to certain transactions of non-U.S. companies owned or controlled by U.S. corporations, as well as to the personnel of such non-U.S. companies who participate in such transactions. Violation of these U.S. statutes carries criminal penalties in the U.S.A. for such non-U.S. companies, the related U.S. companies, and the personnel of each who are U.S. citizens or residents.

The Export Administration Act and The Tax Reform Act of 1976 carry criminal penalties and loss of U.S. tax benefits for cooperation with foreign country boycotts of countries that are friendly to the United States, such as the Arab League boycott of Israel. Prohibited actions include refusing to do business with any person pursuant to a boycott request and actions that discriminate against U.S. firms or citizens on the basis of race, color, religion, sex or national origin. They also apply to compliance with requests for information or action furthering the boycott of nations friendly to the United States as conditions of sales of goods or services to boycotting countries where the goods contain

materials of U.S. origin or the cooperation is directed by the U.S. parent. Penalties also apply to failure to report promptly boycott-related requests for information or action from boycotting countries.

IX. CITIZENSHIP

The Company encourages and supports the efforts of its employees, officers and directors to give leadership and service in the governmental, educational and social welfare fabric of the communities in which they live. The Company also recognizes and willingly accepts its responsibilities as a citizen of the communities in which it operates. It will be active in its public responsibilities and it encourages its employees, officers and directors to be similarly active.

X. EQUAL EMPLOYMENT OPPORTUNITY AND DIVERSITY; FAIR EMPLOYMENT PRACTICES; PRIVACY OF EMPLOYEE PERSONAL INFORMATION; ELECTRONIC COMMUNICATION AND COPYRIGHT LAWS

It is the policy of the Company to seek and hire the best qualified personnel. Stanley is an equal opportunity employer dedicated to a policy of nondiscrimination in all aspects of employment based on any factors prohibited by applicable law.

We seek employee excellence, and we seek to create a workplace where men and women from diverse backgrounds can thrive and reflect our diverse communities and customers. Diversity is a positive, creative, organizational process at Stanley. All qualified individuals are invited to seek employment. Those who are employed are encouraged to contribute to their full potential regardless of gender, race, ethnic origin, age, disability, geographic origin, job position, religion, or sexual orientation.

The Company and its customers are strongly committed to full compliance with human rights and labor standards. The Company facilities and the facilities of the Company's direct and indirect vendors must ensure that no Company product is made in whole or in part using any child, forced, or prison labor. The Company's managers and the Company's direct and indirect vendors have the obligation to provide for factory inspections, to be vigilant, and to take immediate action to prevent any unfair employment practices.

It is also the belief of the Company that it should only collect and retain such personal information about employees as it needs for legitimate business purposes, that access to this personal information is restricted within the Company to those with a need to know it, and that personal information is released outside the Company only with the permission of the employee or when legally required.

The Company owns the telephone, voice mail, e-mail and computer systems. These systems (including any connection to the internet or intranet) are designed for company use only. The Company reserves the right to monitor, intercept or access your use of these systems at any time without notice. Employees should understand that any

information produced or stored on these systems is not personally confidential. Employees are prohibited from uploading, downloading, transmitting or printing any copyrighted materials, trade secrets or proprietary information without proper authorization. Employees are also prohibited from using any of the Company's telephone, voice mail, e-mail or computer systems (including, internet or intranet connection or use) to create a hostile work environment or to harass, defame or stalk others.

Each manager has responsibility to work toward implementing these beliefs of the Company.

XI. FAIR DEALING

Each employee, officer and director should endeavor to deal fairly with the company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or material facts, or any other unfair-dealing practice.

XII. COMPANY ASSETS

All employees, officers and directors should protect the company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the company's profitability. All company assets should be used for legitimate business purposes.

SUPPLEMENT

SUPPLEMENTAL BUSINESS CONDUCT GUIDELINES FOR ALL STANLEY PERSONNEL INVOLVED IN PROCURING GOODS AND SERVICES

Purpose

The establishment and maintenance of good relationships with our vendors is important to achieving our business goals and making Stanley competitive in the global marketplace. The purpose of this supplement is to emphasize and augment the principles set forth in Article II of the Stanley Works Business Conduct Guidelines dealing with Conflicts of Interest. Stanley should always be the prime beneficiary of good working relationships with vendors so that procurement decisions are always based on what is best for Stanley not what is personally best for the individual making the procurement decision. All (this includes not only procurement personnel but engineering, marketing, information technology, etc. personnel as well) Stanley employees (including temporary employees and consultants) who procure or are involved in the procurement by Stanley of goods and services from outside parties (including purchases for resale) are bound by this supplement and should periodically read the statement of policy set forth below.

Statement of Policy

1. You are prohibited from accepting any gifts, gratuities or other benefits that go beyond the common courtesies usually associated with business practices from any person or entity (including, employees or agents of a person or entity) who is a vendor or potential vendor of Stanley (collectively, "Suppliers"). Under no circumstances may you accept cash or cash equivalents (gift certificates etc.). If you are offered a gift or receive a gift whether at the office or at home, notify your manager immediately. Arrangements should be promptly made to return or dispose of any gift that you or your manager determines goes beyond common courtesies and the Supplier that provided such a gift must be reminded of The Stanley Works gift policy.
2. We encourage you to meet with Suppliers at their office or your office rather than having breakfast/lunch/dinner meetings unless the mutual scheduling constraints do not leave you any alternative. If you do go out to eat, you should ordinarily either pay for the whole meal or split the check.
3. You may not participate in any non-strictly business events or outings sponsored by Suppliers without the prior approval by the Vice President of The Stanley Works responsible for procurement.
4. You may not solicit charitable pledges or sponsorship of charitable events from Suppliers.

5. You may not show nor direct any other employee to show any favoritism toward any particular Supplier.
6. You may not work with a former Stanley employee who is now employed by a Supplier in connection with the purchase of goods or services by Stanley for a one year period following that individual's departure from Stanley without full disclosure to, and the prior approval of, the Vice President of The Stanley Works responsible for procurement.
7. You may not provide any information, data, services or equipment to a Supplier or make any commitments to a Supplier except as necessary in connection with the procurement of the specific good or service that you are authorized and required to procure or assist in the procurement of on behalf of Stanley.
8. You may not enter into any ownership (other than through the holding of publicly traded shares of stock of modest value) or employee relationship with respect to a Supplier without full disclosure to, and the prior approval of, the Vice President of The Stanley Works responsible for procurement.
9. For purposes of these Supplemental Guidelines, references to "you" include the members of your immediate family and household and any other person who might benefit from his or her relationship to you. The terms "gifts, gratuities or other benefits" include money, goods, services, discounts, favors and the like in any form that personally benefits you.

This Supplement is part of The Stanley Works Business Conduct Guidelines. As with the Business Conduct Guidelines, you have a duty to read and understand this Supplement. **Your employment at Stanley is dependent upon complying with this Supplement. Compliance includes a duty to report any violation of the policies set forth in this Supplement. A failure to comply will result in discipline, including termination in appropriate circumstances.**

If you have any questions or are uncertain as to whether a particular situation constitutes a violation of this policy, you must contact the Vice President of The Stanley Works responsible for procurement before taking or approving a questionable action. The Vice President of The Stanley Works responsible for procurement is responsible for the resolution of all questions regarding this Supplement.

FORM NO. LD 10/04