

## Foreign Corrupt Practices Act Policy

The purpose of this policy is to ensure that Nature's Sunshine Products, Inc. ("NSP") complies with the Foreign Corrupt Practices Act ("FCPA"). This policy applies to all NSP employees (including employees of Synergy WorldWide, Inc.), wherever located.

The FCPA is a federal criminal law with two parts: (1) the first part prohibits companies from making illegal payments in the form of bribes, political contributions, or other payments, either directly or through third parties for the purpose of influencing foreign officials to assist a business enterprise; (2) the second part requires companies to maintain appropriate recordkeeping and accounting records for all of its business transactions. Noncompliance with the FCPA exposes NSP, its officers, directors, employees, or agents to severe criminal and financial penalties. Accordingly, compliance with NSP's FCPA policy is mandatory.

*A key part of the FCPA is ensuring that any potential violations reach the attention of the persons at the Company responsible for handling such issues. All employees must ensure compliance with the FCPA and immediately direct any questions to NSP's Finance and Legal Departments.*

### POLICY

The Company shall use only ethical business practices while conducting business activities. NSP shall not seek to influence sales or other business by illegal payments, bribes, kickbacks, or other questionable inducements. As mandated by law, the following requirements apply:

1. **Illegal Payments:**
  - a. The FCPA prohibits any U.S. individual or business from authorizing, offering or paying anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing or causing another person to influence any act or decisions of the foreign official or entity in order to assist the individual or business in obtaining or retaining business with any person. Accordingly, all NSP employees, representatives and agents are prohibited from engaging in the following:
    - i. **Bribes:** Giving or offering to give any money, gift, or thing of value to any foreign official to obtain or retain business.

- ii. **Political Contributions:** Making contributions to political parties or officials to obtain their support for executive, legislative, administrative or other actions that may be favorable to NSP.
- iii. **Third-Party Payments:** Giving or offering to give any money, gift, or thing of value to a third party when there is knowledge that it will be offered to a foreign official to obtain or retain business.

2. Record Keeping and Accounting:

- a. The FCPA also prohibits the falsification of books and records and sets forth certain accounting requirements. Specifically, this Policy requires that NSP:
  - i. Make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; and
  - ii. Devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:
    - 1. All transactions are executed in accordance with management's general or specific authorization;
    - 2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets;
    - 3. Access to assets is permitted only in accordance with management's general or specific authorization; and
    - 4. The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.
- b. *The recordkeeping and accounting requirements apply to all business transactions of NSP, its subsidiaries or geographic units, not just those transactions meeting the definition of "Illegal Payments."*

## **PERMISSIBLE PAYMENTS**

There are two kinds of payments to foreign officials that can be made lawfully under the FCPA – (1) reasonable and bona fide expenditures directly related to either promotional activities or the execution or performance of a contract with a foreign government and (2) facilitating payments. The person proposing such a payment must consult with the Legal Department and obtain approval from the General Counsel before actually making any such payment.

### 1. “Reasonable and bona fide expenditure”

As a general rule, payments to foreign officials that would otherwise be prohibited by the FCPA are legal only if:

- they are lawful under the written laws of the foreign official’s country, and
- they are made as a reasonable and bona fide expenditure directly related to either promotional activities or the execution or performance of a contract with a foreign government. For example, NSP may pay the travel and lodging expenses of an official coming to the U.S. for a demonstration or to sign a contract, provided that the expenditures are reasonable and are accurately described in the books and records of NSP.

### 2. “Facilitating payments”

The FCPA allows certain minor expenditures for “routine governmental action,” or ministerial activities that are not of a decision-making nature. Examples of such acts are as follows:

- providing licenses, permits and other official documents to qualify to do business in a foreign country;
- processing governmental papers, such as visas and work orders;
- providing police protection, mail services, and inspection of goods;
- providing phone service, power and water supplies, loading and unloading cargo, and protecting perishable goods from deterioration; or
- actions of a similar nature.

The General Counsel, in determining whether to authorize such a facilitating payment will do so only when the following conditions are met:

- the routine governmental action is legal but has been refused or delayed unjustifiably without such payment;
- all reasonable efforts have been made to obtain the routine governmental action without payment;
- the payment is not made for the purpose of obtaining or retaining business;
- the payment is insubstantial; and
- the transaction is accurately described in the books and records of NSP.

### 3. Procedures for Approval of Permissible Payments

To the extent that any employee believes that it may be permissible to make a lawful payment to a foreign official, he or she must comply with the following procedures.

Prior to making or offering to make any payment to a foreign official, NSP employees must provide a written request to the General Counsel, or designee, and obtain from the General Counsel written approval for the transaction.

The written request must include the following information:

- the name and governmental position of the foreign official,
- the amount and method of payment to be offered or made to the foreign official,
- the rationale for the request, including whether the payment may fall within the above two categories of permissible payments; and
- a full description of the product, service or transaction to which the payment relates.

## RECORD KEEPING

1. *NSP's financial and accounting records are to be maintained so that all business transactions are recorded.*
2. NSP and its subsidiaries are prohibited from maintaining undisclosed or unrecorded funds or assets established for any purpose. Examples of undisclosed or unrecorded funds or assets include, but are not limited to:
  - numbered foreign bank accounts;
  - bank accounts containing corporate funds but held in the names of individuals;
  - unrecorded petty cash or "black box" funds; or
  - real and personal property held by a nominee.
3. NSP's financial and accounting records cannot disguise any aspect of a transaction; for example, entering a payment to "X" when the payment was actually made to "Y."
4. NSP's financial and accounting records must be maintained such that no qualitative misrepresentations are made; for example, entering a payment of \$25,000 to agent "X" when in reality there was an understanding that agent "X" would pay \$5,000 to foreign official "Y."

## CAUTION IN DEALING WITH SALES AGENTS/DISTRIBUTORS/PARTNERS

1. To ensure compliance with the illegal payments provisions of the FCPA, NSP must exercise caution in dealing with sales agents, distributors or partners ("agents"). The primary danger of a violation of the FCPA remains in the activities of a foreign sales agent steeped in another culture, particularly in a country where illicit payments may be prevalent.
2. NSP can be held liable for an FCPA violation if it uses an agent and NSP had knowledge that the agent would make a prohibited payment. NSP is considered to have knowledge if it is **aware** that an improper payment is being made; the circumstances for an improper payment exist; **or** the improper payment is substantially certain to be made. NSP may also be held to have knowledge if it has a **firm belief** that the circumstances for an improper payment exist; or the improper payment is substantially certain to occur.

3. NSP employees should be on the lookout for “red flags” that might indicate a potential violation of the FCPA. Examples of some questions to ask in an effort to identify “redflags” are:
- What is the country in question? NSP cannot ignore historical information, and special caution should be exercised in a country with a tradition of FCPA violations. To determine whether a country is a high risk country, the person should refer to Transparency International Corruption Perceptions Index., which is available at [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2006](http://www.transparency.org/policy_research/surveys_indices/cpi/2006) and is updated yearly.
  - What is the reputation of the agent?
  - What is the amount of the commission? A high-risk situation might exist when the commission is above the “going rate.”
  - Has there been a request that NSP provide an invoice substantially in excess of the actual sales price for the goods supplied?
  - Has the agent refused to provide representations regarding his or her conduct (such as whether he or she is aware of the FCPA and whether he or she has taken any action that would violate the FCPA)?
  - What is the relationship of the agent to the government? For example, if the agent is related to the country’s royal family or top government officials, the possibility of a problem is greater.
  - Watch for certain “public” red flags. Have there been any corporate political contributions reported in the country in question? Have there been any payoffs to foreign government officials?
  - Has a payment been made to a third party who is not a party to the transaction or through a country that has no legitimate business connection to the transaction?
  - Have any transactions been recorded as cash? This would include any checks made out to “cash” without proper documentation.
  - Have managers of any foreign operations been paid unusual bonuses?

4. To minimize NSP's exposure to FCPA violations when dealing with agents, the following practices should be followed:
  - Perform a thorough business check on the agent, and make sure that the agent has adequate experience in the area and possesses an appropriate degree of integrity.
  - Payments to and from agents must be made through an official NSP check or bank transfer. No cash transfers are allowed.
  - The agent may not employ a sub-agent without the prior written approval of NSP.
  - The agreement between NSP and the agent should contain a clause stating that the agreement can be terminated at any time by either party, without further liability or obligation under U.S. and local laws.

This list is not all-inclusive. To discuss any questions regarding the application of the FCPA to any specific transaction, please contact NSP's General Counsel.

## **RESPONSIBILITIES FOR COMPLIANCE**

### 1. Company Employees

It is the responsibility of every employee to strictly comply with NSP's FCPA Policy.

#### *a. Notification to Legal Department of Suspected Violations*

Any suspected violation of the FCPA should be immediately brought to the attention of the General Counsel, or designee, in the form of a confidential memorandum, for the purpose of obtaining legal advice and labeled "***Attorney-Client Privileged Communication.***" The General Counsel, or designee, will take any further action deemed necessary and appropriate. No further action should be taken by the employee until a response from the General Counsel, or designee, is received.

In addition, any employee may report confidentially by using the Silent Whistle toll free number (877-874-8416) or by visiting the Silent Whistle website at [www.allegiance.com/silentwhistle](http://www.allegiance.com/silentwhistle).

***b. FCPA Annual Compliance Questionnaire***

All employees involved in international transactions or the offer of products and services outside of the U.S. (“Covered Employees”) must fill out, sign and return the Annual FCPA Compliance Questionnaire attached hereto as ***Appendix A***. The questionnaire must be completed and delivered to the Legal Department by April 1 for the previous fiscal year.

2. General Counsel

For purposes of providing legal advice and advising senior management regarding potential legal liability under the FCPA, the Company’s General Counsel, or designee, has the following responsibilities:

- communicate NSP’s FCPA Policy to the Company and its employees, subsidiaries, affiliates, representatives and agents;
- collect and review FCPA compliance questionnaires;
- investigate possible violations or legal issues brought to his or her attention;
- inform NSP’s Audit Committee and Chief Financial Officer of possible violations or legal issues of which he or she is aware;
- make recommendations to senior management as to appropriate action to take to address possible violations or legal issues of which he or she is aware;
- review changes to the FCPA requirements described above, new case precedent addressing FCPA compliance, and communicate such information to the Company and its employees, subsidiaries, affiliates, representatives and agents;
- modify NSP’s FCPA Policy to reflect applicable changes in the law, case precedent, regulatory guidance, and industry best practices;
- confirm that NSP’s ongoing education program includes FCPA training; and
- confirm that the implementation of NSP’s FCPA Policy is reviewed at least annually to evaluate its effectiveness and whether the policy or related procedures should be revised to respond to any apparent or actual weaknesses.

The General Counsel may delegate certain of the above responsibilities to members of the Legal or Finance Departments. Any such delegation shall be made in writing and approved by the Audit Committee of the Board of Directors.

### **TRAINING PROGRAM**

The General Counsel, or designee, is responsible for implementing a program to train Covered Employees, and other employees as deemed appropriate, in connection with NSP's FCPA Policy, the current law, case precedent and regulatory interpretive guidance and best practices with respect to FCPA reporting issues. Serving also as the Chief Compliance Officer, the General Counsel, or designee, will work with appropriate members of other relevant departments to develop and deliver effective FCPA training. Such training will be incorporated into NSP's overall training program. In determining appropriate training topics, particular attention will be paid to the following:

- feedback and potential areas of concern uncovered during routine reviews;
- level of experience of covered personnel;
- the necessity to be pro-active concerning the uncovering of FCPA issues;
- the severity of the regulatory exposure due to lack of such a pro-active stance;
- the suspicious activity indicators to look for and the procedures in place regarding the vigilance required when undertaking new transactions; and
- any other FCPA issues that the General Counsel, or designee, believe would be educational.

Covered Employees will be offered training that may include information on how to detect unusual or suspicious transactions and how to maintain compliance with the various Federal rules, regulations and reporting requirements. All employees also will be given clear instructions as to NSP's internal policies and procedures and what steps should be taken should they deem some activity to be of a suspicious nature. All employees will be made aware of their role in our overall FCPA efforts, including:

- FCPA "red flags";
- Civil and criminal penalties associated with FCPA violations;

- Recent Developments in applicable FCPA law and case precedent; and
- Best practices identified by the Department of Justice and the SEC.

### **RECORD RETENTION**

The Company will maintain, for a period of not less than six years, copies of all records and communications, including training materials, as are reasonably necessary, consistent with applicable law, to document the implementation and operation of this FCPA Policy. Records may take the form of memoranda, e-mails, audit reports or other information that documents the operation of this Policy. Confidential records will not be disclosed other than as permitted or required by law.

### **ANNUAL COMPLIANCE REVIEW**

NSP will confirm that an independent review of the adequacy and implementation of NSP's FCPA Policy is performed on an annual basis. The independent review will include documentation of the review process and will include recommendations to the General Counsel, or designee, to revise the FCPA Policy, if necessary. More frequent reviews may be warranted if the annual review conducted reveals material issues of non-compliance or indications that the FCPA Policy has not been fully understood and/or implemented.

### **DEFINITIONS**

**Bribe:** Any illegal payment, as specified in the FCPA guidelines, as explained above.

**Foreign Official:** An officer, employee, or person acting on behalf of a foreign government. A foreign official may also include foreign political parties and their officials, or any candidates for foreign political office or a representative of such a candidate.

**Government:** Any agency, instrumentality, subdivision or other body of any national, state or local government, including hospitals or other health facilities which are owned or operated by a government, and including regulatory agencies or government-controlled businesses, corporations, companies or societies.

**Payments:** Money, transfer of stock, bonds or any other property, the payment of expenses, the providing of services of any type, the assumption or forgiveness of any indebtedness, or any

other transfer of goods, services, tangibles or intangibles that accrues to the benefit of the ultimate recipient or promotes his or her interest.

**Red Flags:** Any situation that shows a potential for FCPA violations, as explained above.

**Third-Party:** Any person not a party to a transaction, such as a sales intermediary between NSP and the final customer or end-user of NSP's products.

## APPENDIX A

### *Annual FCPA Compliance Questionnaire*

NSP's FCPA Policy, a copy of which is attached, covers several important areas of business conduct. In this regard, each Covered Employee must answer each of the following questions, to the best of his or her knowledge, information and belief:

1. Have you read and do you understand NSP's FCPA Policy? Yes \_\_\_\_\_ No \_\_\_\_\_
2. Have you made any payments, directly or indirectly, to or for the benefit of any foreign official or employee, for the purpose of obtaining or retaining business? Yes \_\_\_\_\_ No \_\_\_\_\_
3. Have you made any payments, directly or indirectly, to or for the benefit of any candidate for political office or any political party for the purpose of obtaining or retaining business? Yes \_\_\_\_\_ No \_\_\_\_\_
4. Have you made any payments, directly or indirectly, to a third party with knowledge that it would be offered to a foreign official or employee for the purpose of obtaining or retaining business? Yes \_\_\_\_\_ No \_\_\_\_\_
5. Have you made any payments, directly or indirectly to or for the benefit of any employees of government-controlled businesses, corporations, companies or societies, including hospitals or health facilities, for the purpose of obtaining or retaining business? Yes \_\_\_\_\_ No \_\_\_\_\_
6. Have you recorded any entries in your books, records or accounts that might be interpreted as misstating or concealing the nature or purpose of any payment or expenditure? Yes \_\_\_\_\_ No \_\_\_\_\_
7. Have you maintained any cash funds, bank deposits or other assets without recording them on your financial and accounting books and records? Yes \_\_\_\_\_ No \_\_\_\_\_
8. While employed at NSP, have you ever participated in, assisted others in, or had knowledge of any conduct by NSP (including its employees, representatives, agents or foreign business partners) that, in your judgment, either does not comply with NSP's FCPA Policy or has the appearance of not complying with NSP's FCPA Policy? Yes \_\_\_\_\_ No \_\_\_\_\_
9. If any answer to questions 2 to 8 is "Yes", please state the facts that form the basis for your answer on separate sheets of paper and attach them to this FCPA Compliance Questionnaire.

The responses to this “FCPA Compliance Questionnaire” relate to the period from January 1, \_\_\_\_\_ to December 31, \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Position

**Delivery Instructions:**

- For each fiscal year, complete and deliver this questionnaire to NSP’s Legal Department, Attn: General Counsel, by April 1
- Deliver in an envelope labeled “Attorney-Client Privileged Communication”