

BALCHEM  
CORPORATION CODE OF  
BUSINESS CONDUCT  
AND ETHICS

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2016

**BALCHEM CORPORATION CODE OF BUSINESS CONDUCT AND ETHICS**

**TABLE OF CONTENTS**

Letter from President and CEO	1
I. Introduction	2
II. Personal Responsibility and Leadership	2
III. Reporting and Non-Retaliation	2
IV. Disciplinary Actions	3
V. Compliance with Laws and Regulations	3
VI. Our Responsibilities to Our Investors	3
A. Accounting Policies	3
B. Insider Information in Securities Trading	3
C. Release of Material Information	4
VII. Our Responsibilities to Our Customers, Suppliers and the Marketplace	4
A. Conflicts of Interest	4
B. Antitrust	5
C. Anti-Bribery Laws	6
D. Trade Regulations	7
E. Procurement Integrity	7
F. Gifts and Favors	7
VIII. Our Responsibilities to Our Company and Each Other	8
A. Employment Practices	8
B. Employee Health, Safety and the Environment	8
C. Anti-Discrimination	9
D. Anti-Harassment	9
E. Protection of Company Interests and Property	10
1. Intellectual Property	10
2. Confidential Information	10
3. Other Company Assets	11
F. Social Media	11
IX. Balchem's Ethical Decision-Making Model	12
X. Annual Acknowledgement Form	13

## Letter from President and CEO

Dear Colleagues:

Balchem conducts its business with high ethical standards. We comply with the law. The Company will not engage in any activity which is illegal, unethical or which may adversely affect its products, personnel or business.

Balchem has a reputation for providing quality products, superior service and acting with integrity in all facets of its operations. This reputation was built in part on how we have conducted our business. This reputation is one of our Company's most valuable assets. Our continued good name is dependent on your continued commitment to our principles.

We are providing you with this Code of Business Conduct and Ethics (the "Code") to communicate to you and reinforce our commitments with regard to compliance and good business practices.

Doing the right thing is noticed. It is noticed by our fellow employees. It is noticed by our customers, suppliers and ultimately, our shareholders. It has a real and positive impact on our business.

You have responsibilities to; understand and comply with the Code, notify appropriate personnel within the Company of violations of the law or the Code, fully and honestly cooperate in the investigation of any alleged violation of the Code, and not conceal a violation of the law or the Code; and

The Code will guide you in your conduct and help in answering any questions you might have. All employees must become familiar with Code's principles and must abide by the Code at all times, without exception.

Although our Code of Business Conduct and Ethics highlights the key principles that guide our behavior, it cannot address every ethical situation. If a situation arises that is not addressed in this booklet, we must all use our best judgment to make the right decisions or to seek guidance. In those situations, consider these four basic questions before you act:

- Is it legal?
- Is it in compliance with Balchem's policy?
- Is it the right thing to do?
- How would it look to those outside Balchem?

When faced with difficult decisions, the answers to these basic questions should always be your first guide.

I know you will uphold the Code's standards. You should be proud to be associated with a company such as ours, which is committed to high standards in the conduct of its business.

Ted Harris  
President and CEO

## **I. INTRODUCTION**

Balchem has a strong commitment to high ethical standards as well as a quality business. Employee interactions with coworkers, customers, vendors, government and regulatory agencies and the general public are to be governed by this commitment.

This Code of Business Conduct and Ethics applies to you, as a Balchem employee. The Code also applies to Balchem's Board of Directors and officers.

The Code is not a comprehensive guide to all ethical issues that you, as an employee, may face, but does give guidance on how to deal with specific issues. In dealing with ethical issues not detailed in this Code, you should use your best judgment in light of the facts and circumstances.

Always keep Balchem's good name and reputation in mind as you conduct the Company's business.

## **II. PERSONAL RESPONSIBILITY AND LEADERSHIP**

Observe both the letter and spirit of every provision of the Code. Lead by example and encourage your fellow employees to learn and follow the Code. Don't be afraid to seek advice and guidance or to ask questions.

When faced with an ethical dilemma, you should refer to "Balchem's Ethical-Decision Making Model", which can be found at Page 12 of this Code.

Leadership by example is especially important to those of you who are managers. You should demonstrate to your team, through your actions, the importance of the Code. Managers should make sure all employees understand their responsibilities under the Code and feel comfortable raising concerns without fear of retaliation.

## **III. REPORTING AND NON-RETALIATION**

Alert management to any activities that might lead to violations of the Code. You may contact your supervisor, site manager, the General Counsel, Assistant General Counsels, Balchem's Manager, Corporate Compliance, or other employee in which you have confidence to appropriately implement resolution of the issue. Management will promptly address any concerns regarding the non-compliance with the Code.

When your concerns are so sensitive that you would be more comfortable to raise them confidentially use Balchem's **Ethics and Compliance Hotline (1-877-597-7473)**. The Hotline is designed for just this purpose.

### **NON- RETALIATION**

**YOUR CONCERNS WILL BE TAKEN SERIOUSLY. DO NOT BE AFRAID OF RETALIATION IF YOU HAVE TRUTHFULLY AND IN GOOD FAITH RAISED AN ISSUE WITH RESPECT TO ACTUAL OR SUSPECTED MISCONDUCT OR VIOLATIONS OF THE CODE.**

**RETALIATION WILL NOT BE TOLERATED. IF YOU BELIEVE THAT YOU HAVE BEEN RETALIATED AGAINST, BRING THIS TO THE ATTENTION OF MANAGEMENT OR HOTLINE.**

#### **IV. DISCIPLINARY ACTIONS**

Any employee who violates the law, the Code or any of the Company's policies is subject to disciplinary action. This may include employment action, up to and including loss of employment.

Any employee who knowingly makes or refers a false allegation is subject to discipline. Additionally, anyone who deliberately provides false information or refuses to cooperate in an investigation will be subject to disciplinary action.

Any leader who fails to take appropriate actions after receiving a report of a suspected violation of our Code may also be subject to disciplinary action.

#### **V. COMPLIANCE WITH LAWS AND REGULATIONS**

We will conduct the Company's business in compliance with all applicable laws, rules, and regulations of government agencies and authorities. Legal compliance is part of who we are as a company. No exceptions!

We have specific policies in place with respect to certain issues; however, we must be cognizant that almost every aspect of the Company's business is impacted by laws, rules, and regulations. We must at all times, remain vigilant. Again, legal compliance is part of what Balchem is.

#### **VI. OUR RESPONSIBILITIES TO OUR INVESTORS**

##### **A. ACCOUNTING POLICY**

As a publicly-traded company it is vitally important that our financial statements are correct.

Balchem standardizes its financial reporting to provide adequate internal controls to insure that its records and reports in are prepared in accordance with current generally accepted accounting principles and all applicable laws.

Employees must not make any false, misleading, or incomplete statements or provide incomplete or incorrect information to the Company's accountants and auditors in their preparation, examination or audit of the Company's financial statements.

##### **B. INSIDER INFORMATION IN SECURITIES TRADING**

It is illegal to trade securities if you know of material information not available to the general public. Not only will this result in legal liability, it may also bring Balchem into disrepute. The Company may bring civil or criminal suit against any individual responsible for the improper use or disclosure of inside or confidential information. Please refer to the Company's Insider Trading Policy, which is in addition to this Code.

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**Question:** I overheard in the hallway that Balchem is planning to acquire another company. Can I buy or sell Balchem shares or shares or options of the other company?

**Answer:** No. The fact that you were not specifically given the information to do your job doesn't matter. The prohibition against trading on the basis of material inside information applies to any information you obtain – regardless of how you obtained it.

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### **C. RELEASE OF MATERIAL INFORMATION**

The investing public makes decisions regarding Balchem's stock on the basis of information about the Company that is publicly available. In order to be fair to the investing public and the markets, we must be careful about what we say publicly about the Company's business. The Securities and Exchange Commission and other agencies govern what can, and cannot, be publicly said about the Company's business.

We will provide full, fair, accurate and timely disclosure in all our public communications. There will be no selective disclosure of material, non-public information.

We will communicate responsibly, effectively and consistently to:

- the investment community;
- the media;
- governmental agencies; and
- community organizations.

Therefore, any proposed communications with these recipients must be reviewed and approved by the President and CEO and the General Counsel prior to being released.

## **VII. OUR RESPONSIBILITIES TO OUR CUSTOMERS, SUPPLIERS AND THE MARKETPLACE**

### **A. CONFLICTS OF INTEREST**

Balchem employees must avoid any conflict, and even the appearance of a conflict, between their personal interest and the interest of the Company. Our employees and their immediate family members may not be involved with any undisclosed business that competes or does business with the Company.

You may not take for yourself personally any opportunity that properly belongs to the Company.

You can own a nominal amount (less than 5%) of stock in a public company with which Balchem may have a relationship.

Employees must disclose in writing to the President and CEO or the General Counsel, any outside business or financial interest which could influence the discharge of their responsibilities to the Company.

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**Question:** My brother owns a business and is interested in becoming a Balchem supplier. May I direct him to the appropriate personnel in the supply chain?

**Answer:** Yes. You may direct your brother to the person who may be interested in his product or service. However, your supervisor and the person making the purchasing decision should be told

about the relationship. Normal Balchem procedures for selecting a vendor must be followed to make sure there is no appearance of special treatment for your brother.

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## **B. ANTITRUST**

Balchem believes in free, open and fair competition. We compete honestly. We don't discuss pricing or other forbidden subjects with our competitors.

Very strict laws prohibiting collusive or unfair business behavior that restricts free competition apply everywhere we do business. Violation of these laws may lead to significant penalties for you personally, Balchem and its directors and officers.

We comply with these laws in all respects.

The do's and don'ts are relatively simple:

### DO NOT

- Discuss with any competitor any of the following (unless negotiations are necessary to consummate a bona fide supplier/customer relationship):
  - Prices or discounts;
  - Terms or conditions of sale (including credit);
  - Costs, cost coverage, margins or profits;
  - Bids or intentions to bid;
  - Sales territories or customers; or,
  - Balchem's future pricing, marketing, or policy plans.
- Obtain information about a competitor's business directly from the competitor itself (subject to the exception noted above).
  - You may obtain information about competitors from public sources or from customers.
- Provide Balchem's business information to a competitor (subject to the exception noted above).
- Attend or stay at any informal trade association meeting where there is no agenda, no minutes are taken, and no association staff member is present.
- Do anything before or after trade association meetings, or at social events, which would be improper at a formal association meeting.

### DO:

- Make all pricing decisions:
  - independently of competitors or others outside the Company, and,
  - in light of Company costs, general market conditions and competitive prices.
- Avoid even the appearance of collusion with a competitor.
- Confine all discussions with competitors, whether they involve specific buy/sell agreements or broader trade association contacts, to the immediate subjects for which the meeting was convened.
  - Create and abide by the agenda.

- If you have any questions about the topics to be discussed and the topics to be avoided, consult with the General Counsel in advance.

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**Question:** During a dinner break at an industry conference, someone who works for one of our competitors mentioned that his company was considering increasing prices because of certain industry pressures. Everyone knows that our Company is also experiencing these same pressures. Is it okay for me to discuss our pricing plans?

**Answer:** No. You may never discuss pricing with a competitor. Don't reveal Balchem's pricing plans. Don't ask a competitor about its pricing practices or plans. As soon as you realize that a competitor is starting to raise this subject, you should break off the discussion, even if it means walking out in the middle of a meal. You should then immediately report what happened to the Legal Department.

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### C. ANTI-BRIBERY LAWS

Balchem does not pay bribes or participate in any other corrupt activity.

The Company complies with all laws of the United States and other countries in which it does business that are designed to prevent bribery and corruption, including the United States Foreign Corrupt Practices Act ("FCPA"). FCPA makes it a crime to make improper payments to government officials to influence them in the performance of their duties.

Under the FCPA, no U.S. company or its employees or agents may offer, promise, pay or authorize the payment of "anything of value" to any "foreign official"<sup>1</sup> in order to aid the Company in obtaining or keeping business or securing some other "improper business advantage." The offer or payment may not be made directly by Balchem or through another person, such as an agent employed by Balchem. The FCPA applies regardless of geographical location or local custom.

Many countries have laws similar to the FCPA that prohibit bribery by their citizens and companies. You need to be aware the local laws in all countries where Balchem does business. The easiest way not to run afoul of these laws is not to engage in any corrupt activity. If you have questions, contact the Legal Department immediately.

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**Question:** I was told I have to pay a gratuity to a minor official to clear our products through customs. What should I do?

**Answer:** You may not pay a U.S. customs official under any circumstance. In some countries outside the U.S., small payments to expedite a routine action may be made allowed by the FCPA, but only under very limited circumstances. The authorities' views of what types of payments

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<sup>1</sup> Under the FCPA, "government official" is broadly defined to include any: (i) officer or employee of any government entity, department, or agency; (ii) employee of a state or government-owned business, school, hospital, or other entity; (iii) political party or official thereof; (iv) candidate for political office; and (v) person acting in an official capacity on behalf of a government entity.



qualify for the exception are quite narrow. You must consult with the Legal Department to determine if the requested gratuity is acceptable. You must also receive approval of the payment from the Legal Department before any action is taken.

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#### **D. TRADE REGULATIONS**

The U.S has many laws governing the international trade. These laws are designed to protect the national security, prevent the spread of weapons and further U.S. foreign policy. At a very high level:

- The U.S. controls the export of U.S. products, technology and software to foreign countries.
- There are economic and trade sanctions and embargoes in place that target specific countries, persons and entities that are unfriendly to U.S.
  - There are restrictions against business dealings with certain persons (terrorists) and countries (for example, North Korea).
- Anti-boycott laws are in place which penalize U.S. companies who cooperate with international boycotts of countries friendly with the U.S. (for example, U.S. companies will be penalized if they cooperate with the Arab League boycott of Israel).

The laws in this area are quite complex and compliance is a must. If you need more information or have questions, contact the Legal Department.

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***Question:*** An agent approached me with an opportunity to export products to a new Middle East market where we do not yet have sales. He has many contacts and is willing to handle all shipping and selling logistics. How should I proceed?

***Answer:*** Before shipping products across borders, review the export and import laws of the countries involved, and set up a plan for compliance. Find out whether the countries or parties involved are subject to any trade restrictions. Conduct a proper background check on your agent and the customer involved. Consult with Legal Department to help in this process.

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#### **E. PROCUREMENT INTEGRITY**

All business dealings with suppliers will be addressed fairly and ethically on a nondiscriminatory basis, without reference to personal relationships, and consistent with applicable laws and regulations.

#### **F. GIFTS AND FAVORS**

We conduct our business with customers and vendors on the basis of service, quality performance and price. We don't accept anything of value that could influence, or appear to influence, the outcome of a transaction or relationship.

Gifts or entertainment may never be solicited. You may not accept entertainment or gifts exceeding industry standards from suppliers. The President and CEO may establish, as necessary, the Company's interpretation of "industry standards."

Employees may offer gifts, entertainment or business courtesies to others, provided they do so in the normal course of business and within the constraints of our Code. Cash gifts are specifically prohibited. You may not use gifts, entertainment or business courtesies to improperly influence the recipient.

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**Question:** A vendor has offered me free tickets to a sporting event that I really want to attend. May I accept?

**Answer:** Maybe. The most important consideration when deciding whether to accept a gift or paid-for entertainment, such as tickets to a sporting event, is whether receiving it could (i) compromise or appear to compromise your ability to make objective and fair business decisions, or (ii) influence or appear to influence a business relationship.

For this reason, business entertainment must be moderately scaled and intended only to facilitate business goals. In determining whether this is the case, the following factors will be considered: the fair value of the gift or entertainment, whether the vendor will be present at the event, the frequency of gifts and entertainment received from the vendor, whether the vendor is paying for travel, lodging, and meals associated with the event, and the status of Balchem's business relationship with the vendor.

If you have any questions, you should consult your manager and, if appropriate, seek advice from the Legal Department.

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## **VIII. OUR RESPONSIBILITIES TO OUR COMPANY AND EACH OTHER**

### **A. EMPLOYMENT PRACTICES**

For a description of Balchem's employment policies and procedures, please refer to the Balchem Policies and Procedures Manual. The Policies and Procedures Manual addresses the Company's policies with respect to the employment at Balchem, expected standards of employee conduct and sets forth the Company's policies with respect to non-discrimination, non-harassment and social media.

### **B. EMPLOYEE HEALTH, SAFETY AND THE ENVIRONMENT**

All employees must comply with applicable environmental, health and safety laws and regulations. As part of Balchem's commitment to protect the environment and preserve our natural resources, the Company and its employees will take appropriate measures to protect those resources within our control.

### **C. ANTI-DISCRIMINATION**

Balchem is committed to treating all employees fairly and with respect. We will provide equal opportunities to all employees and applicants. Discrimination based on age, race, color, religion, national origin, gender, sexual orientation, physical or mental disability, and veteran status or other protected class is prohibited. This applies to all terms and conditions of employment.

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**Question:** I believe that I did not receive a promotion because my boss knows that I am pregnant. I heard my manager say that when a woman becomes pregnant, it inevitably interferes with job performance. Is there anything I can do?

**Answer:** Yes. All employment-related decisions at Balchem (e.g., promotion, remuneration, and training) must be based on job-related criteria, skills and performance. You should report the situation to your human resources representative.

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#### D. ANTI-HARASSMENT

Every employee has a right to a work environment free from harassment, regardless of whether the harasser is a co-worker, supervisor, manager, customer, vendor or visitor.

Harassment can include any behavior (verbal, visual or physical) that creates an intimidating, offensive, abusive or hostile work environment.

In addition, any harassment that either impacts or influences wages, hours, working conditions or employment advantages is prohibited.

Unlawful harassment includes harassment based on:

- race
- color
- religion
- creed
- sex
- gender identity
- sexual orientation
- age
- disability
- national origin or ancestry
- citizenship status
- marital status
- veteran status
- family and medical leave status
- any other status protected by law.

Sexual harassment includes harassment of a sexual nature of a person of the same or opposite sex as the harasser.

As is the case with any violation of the Code, you have a responsibility to report any harassing behavior or condition regardless of if you are directly involved or just a witness.

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**Question:** I am a female employee. My male co-worker makes repeated comments about my personal appearance that make me very uncomfortable. I've asked him to stop but he won't. What should I do?

**Answer:** You should report your co-worker's behavior to your supervisor or another member of your management chain, your Human Resources representative, or, if you are uncomfortable with these resources, contact Balchem's Ethics and Compliance Hotline (1-877-597-7473).

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## E. PROTECTION OF COMPANY INTERESTS AND PROPERTY

### 1. INTELLECTUAL PROPERTY

The new product and business ideas, concepts, and other information we produce are valuable Company assets. If we do not identify or otherwise protect this intellectual property, we can lose rights to it and the competitive advantages it brings.

Make sure our intellectual property is protected by making sure it is identified by appropriate trademark, service mark, copyright notice or patent marking.

You must disclose to management any innovation developed on Company time or using Company information or resources, so that we can decide whether to seek formal protection.

### 2. CONFIDENTIAL INFORMATION

A substantial part of the Company's activities, including its technology, confidential business processes, manufacturing processes, customer and employee lists, are proprietary.

You may not give, disclose or provide access to any Balchem confidential or proprietary information, except to persons or entities having a legitimate need for this information as part of the normal conduct of the Company's business or as otherwise required by law. All non-Balchem individuals and third party companies who will be exposed to or provided with Balchem confidential information, must execute a non-disclosure/confidentiality agreement prior to being provided Balchem confidential information or being granted access to Balchem plant/laboratory locations.

You may not disclose Balchem confidential information, however harmless the item may seem, to unauthorized persons. You must therefore safeguard Company information from oral or written disclosure (including e-mail) to any unauthorized person, unless legally required. Questions as to the confidentiality of an item or information must be referred to senior management. If disclosure of Company information is required by legal process, employees must discuss such required disclosure with the General Counsel prior to actual disclosure.

You should also refer to Balchem's Policies and Procedures Manual for more information with respect to the Company's policies and procedures for the protection of confidential information and intellectual property.

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**Question:** A former Balchem employee who worked on my team recently contacted me to request that I provide copies of some materials we worked on during his employment. In the course of this conversation, I learned that this former employee has copies of several binders and a USB Flash Drive with Balchem materials and data we used in a project. I told this employee that I would get back to him. What should I do now?

**Answer:** You should not under any circumstances provide copies of the requested materials because they are likely to be Balchem confidential information. The former employee may also have breached his contractual obligations to the Company. The obligation to maintain

the security of Balchem's confidential information applies both during and after your employment. Contact your manager immediately, and your manager in turn should contact the Legal Department.

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### **3. OTHER COMPANY ASSETS**

All employees are expected to protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. Our property, such as office supplies, computer equipment, buildings and products, are expected to be used only for legitimate business purposes. Theft, fraud or embezzlement, or misuse Company property is prohibited.

Information and technology resources such as e-mail, computers, computer applications, networks, the internet, facsimile machines, cell phones, telephones, and voice mail systems are provided to Balchem employees to maximize employees' efficiency in carrying out their jobs. Occasional, limited personal use of these resources is permitted, but cannot interfere with your work performance, or the work performance of your colleagues. We cannot tolerate inappropriate or illegal use of these assets and reserve the right to take appropriate disciplinary actions, as needed, up to and including termination of employment. Such inappropriate use of these resources can include the following:

- Hacking;
- Pirating software or video/audio files;
- Distributing literature for outside entities;
- Sending inappropriate e-mail;
- Accessing inappropriate web sites (such as those advocating hate or violence, containing sexually explicit material, or promoting illegal activities); and
- Distributing Balchem confidential, proprietary or trade secret information of outside the company.

The Company reserves the right to monitor and inspect, without notice, the use of its information and technology resources.

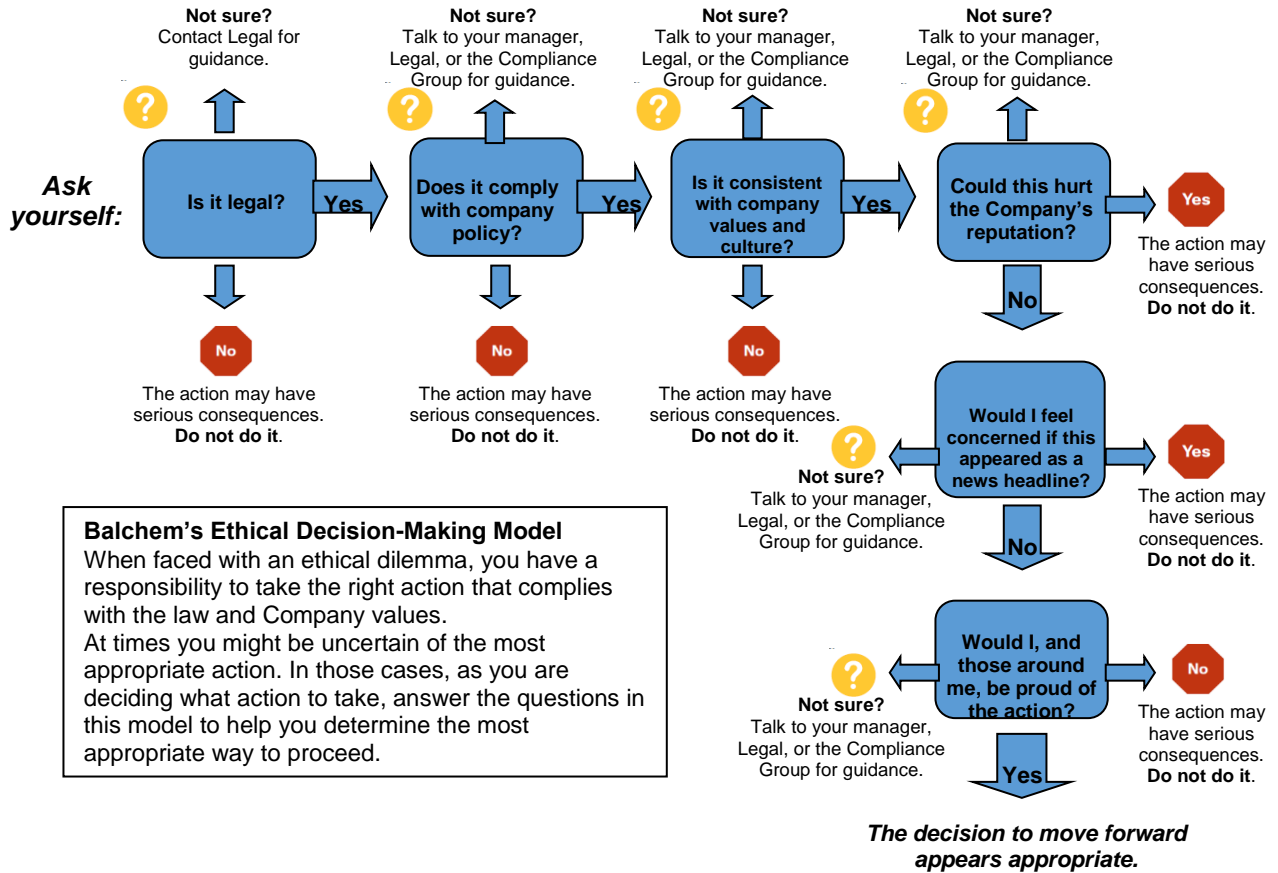
### **F. SOCIAL MEDIA**

Social media is of growing importance in the marketplace. It enables Balchem and its employees to learn from, and share information with our stakeholders, as well as communicate with the public about the Company.

Balchem has adopted a policy governing its employees' access to, and use of, social media. You must follow this policy. Also, think about the effect of statements that you make. Keep in mind that these posts are permanent and easily transferable, and can affect Balchem's reputation and its relationships with customers and other stakeholders.

When using social media tools like blogs, Facebook, Twitter or wikis, don't make comments on behalf of Balchem without proper authorization. Don't disclose the Company's confidential or proprietary information about our products, business, our suppliers or our customers.

**IX. BALCHEM'S ETHICAL DECISION-MAKING MODEL**



**Balchem's Ethical Decision-Making Model**  
 When faced with an ethical dilemma, you have a responsibility to take the right action that complies with the law and Company values. At times you might be uncertain of the most appropriate action. In those cases, as you are deciding what action to take, answer the questions in this model to help you determine the most appropriate way to proceed.

**ANNUAL ACKNOWLEDGEMENT FORM FOR “CODE OF BUSINESS CONDUCT AND ETHICS”**

I have read and am familiar with Balchem Corporation’s “Code of Business Conduct and Ethics” (the “Code”). I will comply with and enforce the Code in its entirety.

I understand my responsibility to promptly report any incident of misconduct or perceived misconduct that I may experience or witness. I further understand that Balchem takes a zero-tolerance approach to violations of this Code, and that violations of the Code or retaliation against whistleblowers will result in discipline and may result in termination of employment.

By signing this acknowledgement, I am indicating that I have read, and will abide by, the Code.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee name (printed)

\_\_\_\_\_  
Date