

UNIVERSAL ELECTRONICS INC.

FOREIGN CORRUPT PRACTICES ACT (FCPA) COMPLIANCE PROGRAM AND POLICY

EFFECTIVE JANUARY 1, 2013

I. OUR POLICY

Universal Electronics Inc. (herein referred to as “UEI”) corporate policy prohibits all improper and unethical payments to foreign officials anywhere in the world. This is true even if payment to foreign officials is an accepted business practice in the country in which the payment is made. The purpose of this policy is to ensure compliance with the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”) and applicable anti-corruption laws of other countries. As discussed in further detail below, the FCPA is a criminal statute that prohibits U.S. companies, such as UEI, and their subsidiaries, employees, agents and representatives from giving anything of value to foreign officials in order to obtain or maintain business or otherwise secure an improper business advantage. In addition, the FCPA requires publicly traded U.S. companies (such as UEI) to comply with record-keeping and accounting requirements designed to prevent off-the-book transactions, including kickbacks, bribes and slush funds. Our policy, as established by UEI’s Senior Management and the Board of Directors, is as follows:

No officer, employee, agent, advisor or intermediary of, or affiliated with, Universal Electronics Inc. or its subsidiaries or divisions (collectively, “UEI”) shall offer, promise or make unlawful cash or in-kind payments to a foreign official to induce that official to affect any act or decision of a government or an international organization in a manner that will assist UEI in obtaining or maintaining business or otherwise secure an improper business advantage. Toward that end, every officer, employee and agent shall keep books, records and accounts that accurately and fairly reflect all transactions and dispositions of UEI’s assets.

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

II. BACKGROUND INFORMATION ON THE FCPA

A. Anti-Bribery Provisions of the FCPA

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

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

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

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

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

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Finally, payments to foreign government officials that are permitted under the *written* laws and regulations of the recipient's country are permitted under the FCPA. As a practical matter, however, it is highly unlikely that any country in which UEI does business would permit a payment to a foreign official in exchange for business. **Thus, UEI and its employees, agents and other representatives are strictly prohibited—as a matter of UEI policy—from offering or making payments pursuant to this FCPA exception.**

B. Record-Keeping Provisions of the FCPA

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

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

C. Penalties for FCPA Violations and Enforcement Trends

The consequences of violating the FCPA are serious. Violation of the FCPA and related laws can result in substantial fines for UEI and could subject those involved to prosecution, criminal fines and imprisonment. These penalties are in addition to disciplinary action that UEI may take, which can include dismissal. Furthermore, the FCPA states specifically that fines and penalties imposed upon individuals may not be paid (directly or indirectly) by the entity for which they have acted. Thus, by law, employees and agents found to have violated the FCPA will be personally liable for any penalties. In the past several years, enforcement actions brought against organizations for non-compliance with the FCPA have increased significantly, along with the associated penalties. Specifically, violations of the anti-bribery provision of the FCPA can result in fines up to \$2 million for an organization and up to \$100,000 and 5 years imprisonment for an individual found guilty. Additionally, punishments for individuals who willfully violate the accounting provisions of the FCPA can include fines up to \$5 million and imprisonment for up to 20 years. Companies who violate the Accounting Provision can face up to \$25 million in fines.¹ In addition to civil and criminal penalties, a person or company found in violation of the FCPA can lose export privileges and may be precluded from doing business with the U.S. government. Fines levied against individuals cannot be paid (or reimbursed) by an employer or principal. If it

¹ These fine, penalty and term of imprisonment figures set forth in this paragraph are accurate as of December 2012, but are subject to change.

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can be shown that the benefit that the bribing party hoped to obtain was particularly large, even higher fines can be imposed — up to twice the amount of the benefit that the bribing party hoped to obtain.

III. COMPLIANCE GUIDELINES AND TOOLS

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

To promote FCPA compliance, we have developed some guidelines that UEI's employees and agents are expected to follow. Failure to do so will result in disciplinary action. Abiding by these guidelines will ensure full compliance with the FCPA and preserve our reputation for honest and fair dealing with governments and their representatives throughout the world.

A. General Rules

The following rules have been established for all employees, directors and agents acting on behalf of UEI, its subsidiaries, ventures and other related entities:

1. No unlawful payment or gift of any kind may be promised, offered, authorized or made to any foreign official in order to induce that official to use his or her position to obtain or retain business for UEI or to obtain an improper business advantage.
2. Notwithstanding the foregoing, expenditures for meals, entertainment and other normal social amenities spent on foreign officials are permitted, provided they are not extravagant, are related to the promotion of a product or performance of a contract, **and are preapproved, in writing, by the Legal Department and (where appropriate) foreign counsel.** Keep in mind that even nominal payments or gifts to a foreign official can violate the FCPA or the anti-corruption laws of the recipient's country.
3. Each UEI subsidiary, business division, employee and agent involved with foreign business transactions that could raise FCPA issues must ensure that "reasonably detailed" books and records are maintained, and structure or participate in a system of internal accounting controls, in order to reflect accurately all transactions and dispositions of assets. These requirements apply with particular force to payments made to foreign agents working on UEI's behalf.
4. Each UEI employee and agent involved with foreign business transactions that could raise FCPA issues must undergo regular FCPA training, as determined by UEI's management.

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B. Rules for Specific High-Risk Situations

In addition to the guidelines set forth above, there are a number of circumstances in which compliance is especially important.

1. Retaining Agents - Because the actions of a third party acting as an agent, representative, or consultant of UEI can expose UEI to liability under the FCPA, great care should be taken in the retention of such persons. A sufficient due diligence investigation must be undertaken prior to retention of any agent to ensure that the representative does not intend to engage in any improper practices. Those UEI employees who work with foreign representatives must perform the activities discussed in the “UEI Agent Diligence Program” document, a copy of which is attached. The Agent Diligence Procedures document specifically addresses the vetting, retention and management of foreign agents. Please contact UEI’s Legal Department should you need assistance or guidance in performing these activities.
2. Government-Owned Businesses - In many countries, it is a common practice for government officials to own or operate business enterprises. While the FCPA and related laws do not prohibit legitimate business relationships with business enterprises owned or controlled by foreign officials, great care must be taken to avoid any association with any such enterprise in circumstances that might constitute an evasion of the FCPA. You are advised to consult the Legal Department if you become aware of such a situation.
3. Joint Ventures – To the extent that UEI enters into joint projects, joint bids, or other collaborative arrangements (whether or not the creation of a new, separate, jointly owned legal entity or partnership is established), the relationship may be characterized as a joint venture, and UEI may be held liable for corrupt payments made by (or on behalf of) the joint venture, even if UEI does not have a role in the day-to-day control of the venture’s activities. Thus, UEI must obtain representations from and perform due diligence on its joint venture partners and their key employees in order to ensure that no part of the joint venture’s funds will be used for payments that violate the FCPA. Certain due diligence efforts applicable to agents and other intermediaries, as outlined in the “Agent Diligence Procedures” document, may also be appropriate for joint venture partners. UEI employees should consult the Legal Department in order to determine precisely what steps need to be taken in order to conduct appropriate due diligence on potential joint venture partners.
4. Charitable Donations - It is common for a U.S. company to make donations to foreign charities in countries in which that company is engaging in business in order to create a sense of goodwill with the local population. U.S. authorities have begun to closely scrutinize foreign

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

C. Training

UEI conducts periodic FCPA training for the benefit of those employees that could potentially interface with government officials or entities. This training may be in a variety of formats, including live classes, teleconferences, online web-based self-study training, or webcast presentations. The UEI Legal Department will coordinate these training sessions.

D. Internal Certifications

Each employee who could potentially interface with government officials or entities is required to review and sign a representation to UEI that they understand the requirements of the FCPA and agree to follow UEI's FCPA compliance policy.

E. Reporting FCPA Violations - Whistleblower Hotline

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

UEI employees (and others) may report actual or potential FCPA violations on an anonymous basis through the www.ethicspoint.com website, or by telephone at the numbers found in the Confidential Ethics Line page of the Investor section of UEI's website www.uei.com.