

# FOREIGN CORRUPT PRACTICES ACT POLICY

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## PURPOSE

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This policy ensures that Entrust complies with the Foreign Corrupt Practices Act 1977 (FCPA). Penalties for violation of this law are severe: Entrust can be fined up to \$2,000,000, and officers or directors can be fined \$100,000 or imprisoned for up to 5 years.

This policy applies to Entrust and its *subsidiaries, affiliates, directors, officers, shareholders, employees, representatives and agents* worldwide. The FCPA does not contain any "materiality" standard; all violations, regardless of the sum of money involved, are considered equally serious.

## POLICY

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*Entrust should use only ethical business practices while conducting business activities. Entrust should not seek to influence sales or other business by illegal payments, bribes, kickbacks, or other questionable inducements.*

*As specifically mandated by law, Entrust and its subsidiaries, affiliates, directors, officers, shareholders, employees, representatives and agents may not make, or offer to make, payments of money or anything of value, directly or indirectly, to foreign government officials, foreign political parties, or candidates for foreign political office for the purpose of obtaining or retaining business. Entrust must also (1) 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 (2) devise and maintain a system of internal accounting controls.*

## RESPONSIBILITY

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### GENERAL COUNSEL

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For the purposes of providing legal advice and advising Entrust management of potential legal liability regarding the FCPA, the General Counsel has the following responsibilities:

Communicates policy to Entrust employees, including Regional Vice Presidents, Managing Directors and Finance Directors.

Collects and reviews FCPA compliance questionnaires.

Investigates possible violations or legal issues brought to his attention.

Informs the Audit Committee and Chief Financial Officer of possible violations or legal issues brought to his attention.

Ensures appropriate action is taken to address possible violations or legal issues brought to his attention.

Reviews recent developments and changes to the FCPA, and communicates them to Entrust employees, subsidiaries and agents.



## GUIDELINES

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The FCPA provides the following provisions which are particularly applicable to Entrust:

### **Record Keeping and Accounting**

The FCPA generally prohibits the falsification of books and records and sets forth certain accounting requirements. Specifically this Policy requires Entrust to:

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

Devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- all transactions are executed in accordance with management's general or specific authorization;
- transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets;
- access to assets is permitted only in accordance with management's general or specific authorization;
- the recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

This section applies to Entrust and its international subsidiaries. The record keeping and accounting requirements apply to all transactions of the Subsidiary or Geographic unit, not just those meeting the definition of Illegal Payments. Entrust is legally responsible for the accounting practices of all its international subsidiaries unless Entrust owns less than 50 percent of the international entity, and Entrust reasonably and in good faith uses its influence to cause the less than 50 percent owned international entity to make and keep (1) accurate books and records, and (2) a system of internal accounting controls.

### **Illegal Payments -**

The FCPA prohibits any US 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 decision of the foreign official or entity in order to assist the individual or business in obtaining or retaining business with any person.

Entrust employees, representatives and agents are prohibited from engaging in the following:

#### **Bribes**

Giving or offering to give any money, gift, or thing of value to any foreign official to

obtain or retain business;

**Political Contributions**

Making contributions to political parties or official to obtain their support for executive, legislative, administrative or other action that may be favorable to Entrust;

### 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.

### Knowledge

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Entrust is considered to have knowledge of an FCPA violation 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; or

It has a **firm belief** that:

- the circumstances for an improper payment exist; or
- the improper payment is substantially certain to occur.

### Legal Payments

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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, or
- 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): Entrust may pay the travel and lodging expenses of an official coming to the U.S. for a demonstration or to sign a contract).

### Routine Governmental Action Payments

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Certain countries may require payments to foreign officials to expedite or secure performance of routine governmental actions. The FCPA provides an exception for these facilitating payments, but the exception is limited to the following governmental actions:

- 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 inspections 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 must approve any routine governmental action payment in advance. Payments will only be permissible if the action is legal but has been refused or delayed unjustifiably; all reasonable efforts have been made to obtain action without payment; the payment is not made for the purpose of obtaining or retaining business; the payment is insubstantial; the transaction is accurately described in the books and records of Entrust**

## **Record Keeping**

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Entrust's books are to be maintained so that:

- all transactions are recorded. Entrust and its subsidiaries are prohibited from maintaining undisclosed or unrecorded funds or assets established for any purpose. Examples of an undisclosed or unrecorded fund or asset 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.
- real and personal property held by a nominee.
- records do not disguise any aspect of a transaction; for example, entering a payment to "X" when the payment was actually made to "Y."
- no qualitative misrepresentations are made; for example, entering a payment of \$100,000 to agent "X" when in reality there was an understanding that agent "X" would pay \$20,000 to foreign official "Y."

## **Caution in Dealing With Sales Agents/Distributors/Partners**

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To ensure compliance with the illegal payments provisions of the FCPA, Entrust 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. Entrust 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 "red flags" are:

- What is the country in question? Entrust cannot ignore history, and special caution should be exercised in a country with a tradition of FCPA violations.
- 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 Entrust provide an invoice substantially in excess of the actual sales price for the goods supplied?
- Has the agent refused to provide representations on his conduct (such as

whether he is aware of the FCPA and has taken no 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 or through a third-country?
- Have any transactions been recorded as "cash?" This would include any checks made out to "cash" without proper documentation.
- Have managers of foreign operations been paid unusual bonuses?

To minimize Entrust'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 the agent has adequate experience in the area and possesses an appropriate degree of integrity.
- Payments to and from agents must be made through a check or bank transfer. No cash transfers are allowed.
- The agent may not employ a subagent without the prior written approval of Entrust.
- The agreement between Entrust and the agent should contain a clause stating that the agent understands and complies with the terms and conditions of the FCPA.
- The agreement between Entrust 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 either U.S. and local laws.

This list is not all-inclusive; if you would like to share other business practices that could minimize Entrust's FCPA exposure, please contact the General Counsel.

### **Confirmation Questionnaire**

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All Regional Vice Presidents, Managing Directors and Finance Directors of international subsidiaries must fill out, sign and return the attached questionnaire annually. The questionnaire should be completed and delivered to Corporate Legal by June 15 of each fiscal year.

### **Notification to Legal Department**

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Any suspected violation of the FCPA should be immediately brought to the attention of the Legal Counsel for the Subsidiary or Geographic unit or region or the General Counsel, in the form of a confidential communication, for the purpose of obtaining legal advice. No further action should be taken until a response is received.

## **Sound Business Practices**

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There is no substitute for sound and ethical business practices. Entrust and its employees, representatives and agents must constantly strive to balance their actions and behavior in a manner that fosters the use of good business practices that allow Entrust Technologies to remain competitive in the marketplace while at the same time ensuring compliance with this policy.

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## **DEFINITIONS**

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### **Bribe**

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Any illegal payment, as specified in the Guidelines above.

### **Foreign Official**

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A foreign official is 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 candidate for foreign political office or a representative of such a candidate.

### **General Counsel**

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The General Counsel of Entrust in Dallas, Texas

### **Government**

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Includes 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**

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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**

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Any situation that shows a potential for FCPA violations.

### **Third-Party**

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Any person not a party to the transaction, usually a sales intermediary between Entrust and the final customer or end-user of Entrust's products.

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## **EXCEPTIONS**

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There are no exceptions to this policy. Violation of this policy may be grounds for immediate termination.

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## **QUESTIONS**

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Address questions regarding this policy to the General Counsel.

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**FOREIGN CORRUPT PRACTICES ACT COMPLIANCE QUESTIONNAIRE**

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The Foreign Corrupt Practices Act Policy, a copy of which is attached, covers several important areas of business conduct. For the purpose of obtaining legal advice, and to ensure that Entrust complies with this policy, you are requested to answer the following questions relating to the activities of your Subsidiary or Geographic unit during the past fiscal year. For the purposes of this questionnaire, Subsidiary or Geographic unit includes employees, representatives and agents of your Subsidiary or Geographic unit. Please answer questions 1 to 8 by placing an 'X' in the space adjacent to the correct answer. If any of your answers to questions 2 to 8 is "yes," please answer question 9 on as many additional sheets of paper as are necessary.

1. Have you read and do you understand the FCPA policy?

Yes \_\_\_

No \_\_\_

2. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit 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. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit 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. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit made any payments, directly or indirectly, to a third-party with knowledge, as defined in the Guidelines to Entrust's Foreign Corrupt Practices Act Policy, that it would be offered to a foreign official or employee for the purpose of obtaining or retaining business?

Yes \_\_\_

No \_\_\_

5. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit 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. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit recorded any entries in its books, records or accounts that might be interpreted as misstating or concealing the nature or purpose of any payment or expenditure?

Yes \_\_\_

No \_\_\_

(contd.)

**FOREIGN CORRUPT PRACTICES ACT COMPLIANCE QUESTIONNAIRE**

7. To the best of your knowledge, information and belief, has your Subsidiary or Geographic unit 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 Entrust, have you ever participated in, assisted others in, or had knowledge of any conduct by Entrust (including employees, representatives and agents) that, in your judgment, either does not comply with the policy or has the appearance of not complying with the policy?

Yes\_\_\_

No\_\_\_

9. If any of the answers 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 questionnaire.

The responses to this questionnaire relate to the period from June 1, 200\_\_\_ to May 31, 200\_\_\_

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|---|----------|
| Signature                                   | Date     |
| Name (please print)                         | Location |
| Department or Subsidiary or Geographic unit | Position |

**Delivery Instructions**

- For each fiscal year, complete and deliver this questionnaire to Entrust' General Counsel by June 15.
- Deliver to Entrust' General Counsel in an envelope labeled "FCPA Privileged Communication."

# INVESTOR RELATIONS POLICY

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## POLICY

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*Prevent inadvertent expectation setting by avoiding public appearances and restricting public statements during a 'quiet period' from the last two weeks of the last month of each quarter until two full trading days after Entrust releases its earnings report for that quarter.*

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## PURPOSE

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This policy ensures that the Company does not make public statements regarding guidance, expectations, and financial results during the 'quiet period.'

This policy applies to Entrust worldwide.

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## RESPONSIBILITY

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### INVESTOR RELATIONS

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- Coordinates all meetings or contacts with the investment community.
- Informs the investment community that the Company is unavailable for meetings or presentations during the "quiet period."
- Arranges a conference call immediately following each earnings announcement to explain the announcement and answer questions.
- Arranges a public meeting for the investment community semi-annually but following the announcement of the prior quarter's results.
- Declines comment on guidance, expectations, and quarterly results during the "quiet period" by stating:

"By Company policy I am unable to answer any question concerning guidance, expectations, or financial results during this quiet period."

### OFFICERS, DIRECTORS AND EMPLOYEES

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Forward all requests for information or meetings from the investment community to Investor Relations.

Decline comment on guidance, expectations, and quarterly results during the "quiet period" by stating:

"By Company policy I am unable to answer any question concerning guidance, expectations, or financial results during this quiet period."

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## **GUIDELINES**

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### **SEC REGULATION 10(b)-5**

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Section 10(b)-5 of the security laws prohibits trading in securities based upon material information that has not been released by the company and is not known to the investing public. Anyone who comes into possession of insider information before its dissemination to the public may be considered an insider. Thus, insiders include directors, officers and employees of the company, but they may also include outside attorneys, investment bankers, accountants, public relations advisers, financial printers, consultants and others. Husbands, wives and family members may also be considered insiders.

Moreover, the concept of insider trading may include situations where inside information is released to or obtained by outsiders, thus enabling these individuals to trade on the basis of nonpublic information. Known as 'tipping,' this subjects outsiders to liability for insider trading.

### SEC REGULATION 16(b)

See Officer and Director Trading In Entrust Securities Policy.

### **RELATED POLICIES**

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See also Officer and Director Trading In Entrust Securities Policy in this manual, and the Insider Trading Policy (in the Entrust Employee Handbook)

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## **EXCEPTIONS**

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Exceptions to this policy may be granted by the Board of Directors.

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## **QUESTIONS**

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Address questions regarding this policy to Investor Relations.