

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the fiscal year ended December 31, 2021

OR

**Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-34483



**NATURE'S SUNSHINE PRODUCTS, INC.**

(Exact name of registrant as specified in its charter)

**Utah**  
(State or other jurisdiction of  
incorporation or organization)

**87-0327982**  
(IRS Employer  
Identification No.)

**2901 West Bluegrass Blvd., Suite 100**  
**Lehi, Utah 84043**  
(Address of principal executive offices and zip code)  
**(801) 341-7900**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Common Stock, no par value	Trading Symbol(s) NATR	Name of each exchange on which registered Nasdaq Capital Market
---	---------------------------	--

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No .

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,"

"smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No .

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2021 was approximately \$01,946,226 based on the closing price of \$17.37 as quoted by Nasdaq Capital Market on June 30, 2021. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and the beneficial owners of 10% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The number of shares of Common Stock, no par value, outstanding on February 25, 2022 is 19,449,060 shares.

**EXPLANATORY NOTES**

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's year ended December 31, 2021, are incorporated by reference in Part III of this Annual Report on Form 10-K.

NATURE'S SUNSHINE PRODUCTS, INC.  
FORM 10-K

For the Year Ended December 31, 2021

Table of Contents

**[Part I.](#)**

<a href="#">Item 1.</a>	<a href="#">Business</a>	<a href="#">4</a>
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	<a href="#">10</a>
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	<a href="#">19</a>
<a href="#">Item 2.</a>	<a href="#">Properties</a>	<a href="#">19</a>
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	<a href="#">19</a>
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	<a href="#">19</a>

**[Part II.](#)**

<a href="#">Item 5.</a>	<a href="#">Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">20</a>
<a href="#">Item 6.</a>	<a href="#">[Reserved]</a>	<a href="#">21</a>
<a href="#">Item 7.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">22</a>
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">32</a>
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	<a href="#">36</a>
<a href="#">Item 9.</a>	<a href="#">Change in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	<a href="#">66</a>
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	<a href="#">66</a>
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	<a href="#">68</a>
<a href="#">Item 9C.</a>	<a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspection</a>	<a href="#">68</a>

**[Part III.](#)**

<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	<a href="#">68</a>
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	<a href="#">68</a>
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</a>	<a href="#">68</a>
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions and Director Independence</a>	<a href="#">68</a>
<a href="#">Item 14.</a>	<a href="#">Principal Accountant Fees and Services</a>	<a href="#">69</a>

**[Part IV.](#)**

<a href="#">Item 15.</a>	<a href="#">Exhibits and Financial Statement Schedules</a>	<a href="#">70</a>
<a href="#">Item 16.</a>	<a href="#">Form 10-K Summary</a>	<a href="#">72</a>

**[Signatures](#)**

[73](#)

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated herein by reference in this report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies. All statements (other than statements of historical fact) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. For example, information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are more fully described in this report, including the risks set forth under “Risk Factors” in Item 1A, but include the following:

- extensive government regulations to which the Company’s products, business practices and manufacturing activities are subject;
- registration of products for sale in foreign markets, or difficulty or increased cost of importing products into foreign markets;
- legal challenges to the Company’s direct selling program or to the classification of its independent consultants;
- laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets;
- liabilities and obligations arising from improper activity by the Company’s independent consultants;
- product liability claims;
- our cannabidiol (“CBD”) product line is subject to varying, rapidly changing laws, regulations, and rules;
- impact of anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- the Company’s ability to attract and retain independent consultants;
- the loss of one or more key independent consultants who have a significant sales network;
- the Company’s joint venture for operations in China with Fosun Industrial Co., Ltd.;
- the effect of fluctuating foreign exchange rates;
- failure of the Company’s independent consultants to comply with advertising laws;
- changes to the Company’s independent consultants compensation plans;
- geopolitical issues and conflicts;
- adverse effects caused by the ongoing coronavirus pandemic;
- negative consequences resulting from difficult economic conditions, including the availability of liquidity or the willingness of the Company’s customers to purchase products;
- risks associated with the manufacturing of the Company’s products;
- supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand;
- failure to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers;
- world-wide slowdowns and delays related to supply chain, ingredient shortages and logistical challenges;
- uncertainties relating to the application of transfer pricing, duties, value-added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- cybersecurity threats and exposure to data loss;
- the storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations;
- reliance on information technology infrastructure; and
- the sufficiency of trademarks and other intellectual property rights.

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report. Throughout this report, we refer to Nature’s Sunshine Products, Inc., together with our subsidiaries, as “we,” “us,” “our,” “our Company” or “the Company.”

**PART 1**

**Item 1. Business**

**The Company**

We are a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. We are a Utah corporation formed in 1976 with our principal place of business in Lehi, Utah, and sell our products to a sales force of independent consultants who use the products themselves or resells them to consumers.

**Business Segments**

We have four business segments (Asia, Europe, North America, and Latin America and Other) based primarily upon the geographic region where each segment operates, as well as the internal organization of our officers and their responsibilities. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy® WorldWide brands. The Latin America and Other segment includes our wholesale business in which we sell products to various locally-managed entities independent of the Company that we have granted distribution rights for the relevant market.

**Product Categories**

Our line of over 700 products includes several different product classifications, such as immune, cardiovascular, digestive, personal care, weight management and other general health products. We purchase herbs and other raw materials in bulk, and after rigorous quality control testing, we formulate, encapsulate, tablet or concentrate them, label and package them for shipment. Most of our products are manufactured at our facility in Spanish Fork, Utah. Contract manufacturers produce some of our products in accordance with our specifications and standards. We have implemented stringent quality control procedures to verify that our contract manufacturers have complied with our specifications and standards.

A summary of the U.S. dollar amounts from the sale of general health, immune, cardiovascular, digestive, personal care and weight management products for the years ended December 31, 2021 and 2020, by business segment can be found in Note 14, "Operating Business Segment and International Operation Information," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

The following table summarizes the Company's product lines by category:

<b>Category</b>	<b>Description</b>
<b>General health</b>	We distribute a wide selection of general health products. The general health line is a combination of assorted health products related to blood sugar support, bone health, cellular health, cognitive function, joint health, mood, sexual health, sleep, sports and energy, and vision.
<b>Immune</b>	We distribute immune products. The immune line has been designed to offer products that support and strengthen the human immune system.
<b>Cardiovascular</b>	We distribute cardiovascular products. The cardiovascular line has been designed to offer products that combine a variety of superior heart health ingredients to give the cardiovascular system optimum support.
<b>Digestive</b>	We distribute digestive products. The digestive line has been designed to offer products that regulate intestinal and digestive functions in support of the human digestive system.
<b>Personal care</b>	We distribute a variety of personal care products for external use, including oils and lotions, aloe vera gel, herbal shampoo, herbal skin treatment, toothpaste and skin cleanser.
<b>Weight management</b>	We distribute a variety of weight management products. The weight management line has been designed to simplify the weight management process by providing healthy meal replacements and products that increase caloric burn rate.

## **Distribution and Marketing**

We market our products primarily through our network of independent consultants, who market our products to customers through direct selling techniques and sponsor other independent consultants who also market our products to customers. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

Our products sold in the United States are shipped directly from our manufacturing and warehouse facilities located in Spanish Fork, Utah, as well as from our regional warehouses located in Georgia, Ohio and Texas. Many of our international operations maintain warehouse facilities and inventory to supply their independent consultants. However, in foreign markets where we do not maintain warehouse facilities, we have contracted with third-parties to distribute our products and provide support services to our force of independent consultants.

In the United States, we generally sell our products on a cash or credit card basis. From time to time, our U.S. operations extend short-term credit associated with product promotions. For certain of our international operations, we use independent distribution centers and offer credit terms that are generally consistent with industry standards within each respective country.

We pay sales commissions, or “volume incentives” to our independent consultants based upon their own product sales and the product sales of their sales organization. As an exception, in NSP China, we do not pay volume incentives; rather, we pay independent service fees, which are included in selling, general and administrative expense. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the years ended December 31, 2021 and 2020, are set forth in our Consolidated Financial Statements in Item 8 of this report. In addition to the opportunity to receive volume incentives, independent consultants who attain certain levels of monthly product sales are eligible for additional incentive programs including automobile allowances, sales convention privileges and travel awards.

## **Source and Availability of Raw Materials**

Raw materials used in the manufacture of our products are generally available from a number of suppliers. To date, we have not experienced any major difficulty in obtaining and maintaining adequate sources of raw materials supply. We attempt to ensure the availability of many of our raw materials by contracting, in advance, for our annual requirements. In the past, we have been able to find alternative sources of raw materials when needed. Although there can be no assurance that we will be successful in locating such sources of supply in the future, we believe that we will be able to do so.

## **Trademarks and Trade Names**

We have obtained trademark registrations for Nature’s Sunshine®, and related logos for all of our Nature’s Sunshine Products product lines. We have also obtained trademark registrations for Synergy Worldwide® for all of our Synergy WorldWide product lines. We hold trademark registrations in the United States and in many other countries. Our customers’ recognition and association of our brands and trademarks with quality is an important element of our operating strategy.

The duration of our trademark registrations is generally between 10 and 20 years, depending on the country in which the marks are registered, and can be renewed. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product.

## **Seasonality**

We operate in several regions around the world and, as a result, are affected by seasonal factors and trends such as weather changes, holidays and cultural traditions and vacation patterns throughout the world. For instance, in North America and Europe we may experience a decrease in activity during the third quarter due to the summer vacation season, while we experience a decrease in activity in many of our Asia Pacific markets during the first quarter due to cultural events such as the Lunar New Year. As a result, there is some seasonality to our revenues and expenses reflected in our reported quarterly results. Generally, reductions in one region of the world due to seasonality are offset by increases in another, minimizing the impact on our reported consolidated revenues. Changes in the relative size of our revenues in one region of the world compared to another could cause seasonality to more significantly affect our reported quarterly results.

## **Inventories**

In order to provide a high level of product availability to our independent consultants, we maintain considerable inventory of raw materials in the United States and of finished goods in most countries in which we sell our products. Due to different regulatory requirements across the countries in which we sell our products, our finished goods inventories have product labels and sometimes product formulations specific for each country. Our inventories are subject to obsolescence due to finite shelf lives, among other considerations.

## **Dependence upon Independent Consultants**

A significant amount of our revenue in some of our markets is dependent on only a few independent consultants and their extensive sales networks. The loss of one or more of these independent consultants who, together with their extensive sales network generate a significant amount of our revenue, could have a material adverse effect on the results of operations and financial condition on one or more of our business segments.

## **Backlog**

We typically ship orders for our products within 24 hours after receipt of payment. As a result, we have not historically experienced significant backlogs due to our high level of product availability. However, as a result of improved sales and disruptions in our supply chain, we have experienced modest increases in backlog that vary market to market.

## **Competition**

Our products are sold in competition with other companies, some of which have greater sales volumes and financial resources than we do, and sell brands that are, through advertising and promotions, better known to consumers. We compete in the nutritional and personal care industry against companies that sell through retail stores, as well as against other direct selling companies. For example, we compete against manufacturers and retailers of nutritional and personal care products, which are distributed through supermarkets, drug stores, health food stores, vitamin outlets, discount stores, and mass market retailers, among others. We compete for product sales and independent consultants with many other direct selling companies, including Herbalife, LifeVantage, Nu Skin and USANA, among others. We believe that the principal components of competition in the direct selling of nutritional and personal care products are consultant expertise and service, product quality and differentiation, price and brand recognition. In addition, we rely on our independent consultants to compete effectively in the direct selling markets, and our ability to attract and retain independent consultants depends on various factors, including the training, quality product offerings and financial incentives for the independent consultants.

## **Research and Development**

We conduct research at our research center, known as the Hughes Center for Research and Innovation, a state of the art research and development facility located at our corporate offices in Lehi, Utah. Our principal emphasis in our research and development activities is clinical research in the support of the development of new products and the enhancement of existing products.

## **Compliance with Environmental Laws and Regulations**

The nature of our business has not required any material capital expenditures to comply with federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment. No material capital expenditures to meet such provisions are anticipated. Such regulatory provisions did not have a material effect upon our results of operations or competitive position during the year ended December 31, 2021.

## **Regulation**

### *General*

In both the United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations and guidance, court decisions and similar constraints (collectively "Regulations"). Such Regulations exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions, including Regulations pertaining to: (1) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products; (2) product and earnings claims and advertising, including direct claims and advertising by us, as well as claims and advertising by independent consultants, for which we may be held responsible; (3) our direct selling program;

(4) transfer pricing and similar regulations that affect the level of U.S. and foreign taxable income and customs duties; (5) taxation of our independent consultants (which in some instances may impose an obligation on us to collect the taxes and maintain appropriate records); and (6) currency exchange and repatriation.

#### *Products*

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of our major product groups are subject to regulation by one or more governmental agencies in the United States and in other countries. In the United States, the Food and Drug Administration (“FDA”) regulates our products under the Federal Food, Drug and Cosmetic Act, as amended and the regulations promulgated thereunder (“FDCA”). The FDCA defines the terms “food” and “dietary supplement” and sets forth various conditions that, unless complied with, may constitute adulteration or misbranding of such products. The FDCA has been amended several times with respect to dietary supplements, including amendments by the Nutrition Labeling and Education Act of 1990 and the Dietary Supplement Health and Education Act of 1994, as amended, and the regulations promulgated thereunder.

FDA regulations relating specifically to foods and dietary supplements for human use are set forth in Title 21 of the Code of Federal Regulations. These regulations include basic labeling requirements for both foods and dietary supplements. Additionally, FDA regulations require us to meet relevant good manufacturing practice regulations relating to, among other things, the preparation, packaging and storage of our food and dietary supplements.

FDA rules impose requirements on the manufacture, packaging, labeling, holding, and distribution of dietary supplement products. For example, it requires that companies establish written procedures governing areas such as: (1) personnel, (2) plant and equipment cleanliness, (3) production controls, (4) laboratory operations, (5) packaging and labeling, (6) distribution, (7) product returns, and (8) complaint handling. The FDA also requires identity testing of all incoming dietary ingredients unless a company successfully petitions for an exemption from this testing requirement in accordance with the regulations. The current good manufacturing practices are designed to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the products. Within the requirements of ingredient identification, we confirm the levels, identity, purity and potency of ingredients listed on our product labels to ensure quality and transparency for our product line.

In some countries we are, or regulators may assert that we are, responsible for the conduct of our independent consultants, and regulations applicable to the activities of our independent consultants also affect our business. In these countries, regulators may request or require that we take steps to ensure that our independent consultants comply with regulations. The types of regulated conduct include: (1) representations concerning our products; (2) earnings representations made by us and/or our independent consultants; (3) public media advertisements, which in foreign markets may require prior approval by regulators; (4) sales of products in markets in which the products have not been approved, licensed, registered or certified for sale; and (5) classification by government agencies of our independent consultants as our employees.

In some markets, it is possible that improper product claims by our independent consultants could result in our products being reviewed by regulatory authorities and, as a result, being classified or placed into another category as to which stricter regulations are applicable. In addition, we might be required to make labeling changes.

We are unable to predict the nature of any future regulations, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require: (1) reformulation of some products not capable of being reformulated; (2) imposition of additional record keeping requirements; (3) expanded documentation of the properties of some products; (4) expanded or different labeling; (5) additional or different scientific substantiation regarding product ingredients, safety or usefulness; and/or (6) additional consultant compliance surveillance and enforcement action by us. Any or all of these requirements could have a material adverse effect on our results of operations and financial condition.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license, registration or certification from the country’s ministry of health or comparable agency. Prior to entering a new market in which a formal approval, license, registration or certificate is required, we work extensively with local authorities to obtain the requisite approvals. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently.

*Direct Selling*

Our business practices and products are also regulated by the following United States governmental entities: the Federal Trade Commission (“FTC”), Consumer Product Safety Commission (“CPSC”), Department of Agriculture (“USDA”) and Environmental Protection Agency (“EPA”). Our activities, including our direct selling distribution activities, are also regulated by various agencies of the states, localities and foreign countries in which our products are sold.

The FTC, which exercises jurisdiction over the advertising of all of our products in the United States, has in the past several years instituted enforcement actions against several dietary supplement and food companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. The FTC closely scrutinizes the use of testimonials, the role of expert endorsers and product clinical studies. The FTC has in recent years investigated and taken enforcement action against direct selling companies for misleading representations relating to the earnings potential of an independent consultant within a company’s compensation plan, as well as appropriateness of the compensation plans themselves. At various times during the COVID-19 pandemic, the FTC sent warning letters to retailers of dietary supplements and direct selling companies for deceptive or scientifically unsupported claims that their products could effectively treat, prevent, diagnose or cure COVID-19. We cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future.

*Transfer Pricing*

In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our U.S. or local entities and are taxed accordingly. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products.

Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed.

In the event that the audits or assessments are concluded adversely to us, we may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of all foreign tax credits in the future.

*Other Regulations*

We are also subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets, we are substantially restricted in the amount and types of rules and termination criteria that we can impose on our independent consultants without having to pay social security assessments on behalf of the independent consultants and without incurring severance obligations to terminated independent consultants. In some countries, we may be subject to these obligations in any event.

Our failure to comply with these regulations could have a material adverse effect on our results of operations and financial condition in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

*Compliance*

In order to comply with regulations that apply to both us and our independent consultants, we conduct research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses, registrations and approvals and applicable limitations on our operations in that market. Typically, we conduct this research with the assistance of local legal counsel and other representatives. We devote substantial resources to obtaining the necessary licenses, registrations and approvals and bringing our operations into compliance with the applicable limitations. We also research laws applicable to independent consultant operations and revise or alter our independent consultant manuals and other training materials and programs to provide independent consultants with guidelines for operating a business, selling and distributing our products and similar matters, as required by applicable regulations in each market. There are inherent limitations to our ability to monitor the



activities of our independent consultants sufficient to ensure that they refrain, in accordance with our consultant agreements, from distributing our products in countries where we have not commenced operations.

In addition, regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. Moreover, even when we believe that we and our independent consultants are initially in compliance with all applicable regulations, new regulations regularly are being added and the interpretation of existing regulations is subject to change. Further, the content and impact of regulations to which we are subject may be influenced by public attention directed at us, our products or our direct selling program, so that extensive adverse publicity about our products or our direct selling program may result in increased regulatory scrutiny.

It is an ongoing part of our business to anticipate and respond to new and changing regulations and to make corresponding changes in our operations to the extent practicable. Although we devote considerable resources to maintaining our compliance with regulatory constraints in each of our markets, we cannot be sure that (1) we would be found to be in full compliance with applicable regulations in all of our markets at any given time or (2) the regulatory authorities in one or more markets will not assert, either retroactively or prospectively or both, that our operations are not in full compliance. These assertions or the effect of adverse regulations in one market could negatively affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets. These assertions could have a material adverse effect on our results of operations and financial condition in a particular market or in general. Furthermore, depending upon the severity of regulatory changes in a particular market and the changes in our operations that would be necessitated to maintain compliance, these changes could result in us experiencing a material reduction in revenue in the market or determining to exit the market altogether. In this event, we would attempt to devote the resources previously devoted to such market to a new market or markets or other existing markets. However, we cannot be sure that this transition would not have a material adverse effect on our business, results of operations, and financial condition either in the short or long-term.

To further mitigate any compliance risk, a Compliance Committee of the Board of Directors (the “Compliance Committee”) was created in 2014. The purpose of the Compliance Committee is to oversee our efforts with respect to operational compliance. “Operational Compliance” is defined by the Compliance Committee’s charter to include: consultant compliance and direct selling best practices; employee compliance, including code of conduct and other mandated trainings; product and product distribution regulatory compliance, including adherence to FTC, FDA and other similar regulatory bodies’ mandates; compliance with data protection regulations; and non-financial, whistleblower reports. For avoidance of doubt, “Operational Compliance” does not include adherence to the U.S. Foreign Corrupt Practices Act (the “FCPA”), which is the responsibility of the Audit Committee.

## Human Capital

Attracting and retaining top talent is an integral part to our success. We intentionally build a workforce of people with viewpoints and backgrounds as diverse as the customers we serve around the world. As a responsibility to our team and in an evolving effort, we provide employees with meaningful careers and development opportunities to grow and succeed. This dedication to our employees has earned us “Employer of the Year awards” for Health Products and Services as well as Manufacturing, presented by *American Business Awards*.

We employed 850 individuals as of December 31, 2021. Our global workforce is comprised of the following ethnicities: 40.2 percent Caucasian, 31.4 percent Asian, 25.3 percent Hispanic, 1.6 percent Black, and 1.5 percent Other. Of those employees, 55.4 percent are female.

Some examples of our key programs and initiatives that are focused on attracting and retaining top talent include:

- Diversity, Equity and Inclusion initiatives are a constant pursuit. That pursuit led to our “Stronger Together” speaker series in 2020.
- Annual scholarship program for multicultural students at the University of Utah in the amount of \$0.2 million.
- EDGE leadership development program is a three-year program designed to help employees develop leadership skills and obtain executive coaching.
- Wellness Rewards Program incentivizes healthy eating, preventative care and exercise. Participants are rewarded with Company swag and gift cards.
- Instituted stringent safety standards and promoted company culture that prioritizes safety throughout our manufacturing and distributions centers around the world.
- Recognizing that work schedules are evolving, MyFlex was developed to allow employees to build a hybrid work schedule allowing up to 18 days of work-from-home per month.

## Sustainability

We believe that our focus on reliable, pure, proven, and potent ingredients and the processes through which ingredients are harvested sets our products and business apart. We emphasize collaborating with growers and suppliers that protect and care for the natural resources they farm and harvest along with the economic and social interests of their local communities. We choose supply partners with business models that value making a positive impact on the environments and economies that they source from and, in many cases, go to creative lengths to bring benefits to the communities they operate within.

Noted below are the short- and long-term goals we have set to address the environmental impacts from our operations:

- 100 Percent Renewable Energy at our owned manufacturing facility by 2023;
- 50 Percent Reduction of GHG emissions for Scope 1 & 2 by 2025;
- Zero Waste at all distribution centers by 2025;
- 35 Percent Waste Reduction at our owned manufacturing facility by 2025;

## Available Information

Our principal executive office is located at 2901 West Blue Grass Blvd., Suite 100, Lehi, Utah 84043. Our telephone number is (801) 341-7900 and our Internet website address is [www.natr.com](http://www.natr.com). We make available, free of charge on our website, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as soon as practicable after electronically filing these documents with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The SEC also maintains an Internet website that contains reports, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). We also make available, free of charge on our website, our Code of Conduct Policy and the charters of our Audit Committee, Governance Committee, Compensation Committee and Compliance Committee.

## Item 1A. Risk Factors

*You should carefully consider the following risks in evaluating us and our business. The risks described below are the risks that we currently believe are material to our business. However, additional risks not presently known to us, or risks that we currently believe are not material, may also impair our business operations. You should also refer to the other information set forth in this report, including the information set forth in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as in our consolidated financial statements and the related notes. Our business prospects, financial condition or results of operations could be adversely affected by any of the following risks. If we are adversely affected by such risks, the market price of our common stock could decline.*

### Regulatory and Litigation Risks

***Laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets.***

Direct selling companies are subject to laws and regulations by various government agencies throughout the world. These laws and regulations are generally intended to prevent fraudulent or deceptive practices and to ensure that sales are made to consumers of the products, and that compensation is based primarily upon bona fide sale of products to consumers and not primarily upon the recruitment of other persons as participants in the compensation program. Regulations in some countries in which we operate, including South Korea and China, limit the amount of compensation we can pay to our independent consultants. Failure to comply with these laws and regulations could result in significant penalties, which could have a material adverse effect on our results of operations and financial condition. Violations could result from misconduct by an independent consultant, ambiguity in statutes, changes or new laws and regulations affecting our business and court-related decisions.

The FTC in the United States, and similar government agencies in foreign jurisdictions, periodically investigate and bring enforcement actions against direct selling companies based on alleged pyramid selling activity and/or false and misleading claims made by the direct selling company or its independent consultants. Direct selling companies that have been the subject of an FTC enforcement action have generally been required to make significant changes to their business model and pay significant monetary fines. Being the target of an investigation or enforcement action by the FTC in the United States, or a similar government agency in a foreign jurisdiction, could have a material adverse effect on our results of operations and financial condition.

In recent years, FTC settlements with direct selling companies have required those companies to make material changes to their business model, including basing sales compensation and qualification only on sales to retail and preferred customers and on purchases by a consultant for personal consumption within allowable limits. In 2020, we launched our new sales compensation plan for independent consultants in North America and Latin America. If the requirements in FTC settlements or judicial cases lead to new industry standards or rules, our business could be impacted, and we may need to amend our global sales compensation plan. If we are required to make changes, or if the FTC seeks to enforce similar measures in the industry, either through rulemaking or an enforcement action against our company, our business could be harmed.

***Our products, business practices and manufacturing activities are subject to extensive government regulations and could be subject to additional laws and regulations.***

The formulation, manufacturing, packaging, labeling, advertising, distribution and sales of each of our major product groups are subject to regulation by numerous domestic and foreign governmental agencies and authorities. In the U.S., these governmental agencies and authorities include the FDA, the FTC, the CPSC, the EPA, the USDA and state regulatory agencies. Generally, each international market in which we operate has regulatory agencies similar to the regulatory agencies in the U.S. In addition, each State in the United States has an attorney general who is responsible for enforcing the laws of that State. Some states' attorneys general have, from time to time, demonstrated a focus on the manufacture and sale of various dietary supplements. As the primary manufacturer of our own products, we are subject to FDA regulations on Good Manufacturing Practices ("GMP"), which require us to maintain good manufacturing processes, including ingredient identification, manufacturing controls and record keeping.

In the future, we may be subject to additional laws or regulations administered by the FDA or other federal, state, local or foreign regulatory authorities, the repeal or amendment of laws or regulations which we consider favorable and/or more stringent interpretations of current laws or regulations. Such changes could, among other things, require reformulation of certain products to meet new standards, cause us to recall or discontinue certain of our products, impose additional record-keeping or registration requirements, expand documentation of the properties of certain products and expand or alter labeling and/or scientific substantiation requirements. Any or all such requirements could increase our costs of operating the business and have a material adverse effect on our results of operations and financial condition.

The FTC and states' attorneys general have in the past instituted enforcement actions against cosmetic, dietary supplement, and food companies and manufacturers for false and misleading advertising of some of their products. At various times during the COVID-19 pandemic, the FTC sent warning letters to retailers of dietary supplements and direct selling companies for deceptive or scientifically unsupported claims that their products could effectively treat, prevent, diagnose or cure COVID-19. The FTC and states' attorneys general from time to time have initiated investigations and enforcement actions against direct selling companies alleging that the companies operated a pyramid scheme. Although the FTC and states' attorneys general exercise a substantial degree of subjectivity in determining whether a company is operating a pyramid scheme, the FTC and states' attorneys general consider whether the compensation received by independent consultants is based primarily on recruitment of other persons as participants in the compensation program and not on bona fide sales of products to consumers. An enforcement action brought by a government agency, like the FTC in the United States, or a class action lawsuit, could adversely affect our reputation and potentially result in significant penalties and costs, either of which could have a material adverse effect on our results of operations and financial condition.

***Our direct selling system could be challenged in one or more countries in which we do business.***

Legal and regulatory requirements concerning the direct selling industry generally do not include "bright line" rules and are inherently fact-based and subject to interpretation. As a result, regulators and courts often have discretion in their application of these laws and regulations. The enforcement or interpretation of these laws and regulations by government agencies or courts change from time to time and force us to make appropriate changes to our direct selling system. We periodically become aware of investigations and enforcement actions against other companies in the direct selling industry. Additionally, we could also be subject to challenges by private parties in civil actions, including class action cases brought by plaintiffs' lawyers. An investigation, adverse judgment or significant settlement from an enforcement acting or civil class action lawsuit, brought against us, could have a material adverse effect on our results of operations and financial condition.

***Difficulties in registering our products for sale in Mainland China could have a material adverse effect on our results of operations and financial condition.***

Our registration of our products for sale in China is extremely time intensive. The requirements for obtaining product registrations and/or licenses involve extended periods of time that may delay us from offering products for sale or prevent us

from launching new product initiatives in China on the same timelines as other markets around the world. For example, products marketed in China as “health foods” or for which certain claims are used are subject to “blue cap” or “blue hat” registrations, which involve extensive laboratory and clinical analysis by governmental authorities. This registration process can take anywhere from 18 months to 3 years but may be substantially longer. We currently market both “health foods” and “general foods” in China. There is risk associated with the common practice in China of marketing a product as a “general food” while seeking “health food” classification. If government officials feel the categorization of products is inconsistent with product claims, ingredients or function, this could end or limit our ability to market such products in China and have a material adverse effect on our results of operations and financial condition.

***If our independent consultants fail to comply with advertising laws, it could adversely affect our results of operations and financial condition.***

The advertisement of our products is subject to extensive regulations in most of the markets in which we do business, including the United States. Our independent consultants may fail to comply with such regulations governing the advertising of our products or business opportunity and regulators may hold us responsible for the violations of our independent consultants. In the U.S., our products are sold principally as dietary supplements and cosmetics and are subject to rigorous FDA regulations limiting the types of therapeutic claims that can be made relating to the products. The treatment or cure of disease, for example, is not a permitted claim for our products. In the U.S., the FTC and states’ attorneys general are primarily responsible for providing consumer protection by, among other things, investigating and initiating enforcement actions against business practices it deems deceptive or fraudulent. Companies in the dietary supplement and direct selling industries have met increased scrutiny throughout the COVID-19 pandemic based on allegations that the company or its independent distributors use false or misleading claims that one or more of their dietary supplements are effective cures, treatments, or preventions for COVID-19. . We cannot ensure that all marketing materials used by our independent consultants comply with applicable regulations, including bans on false and misleading product and earnings potential related claims. If our independent consultants fail to comply with these restrictions, then we could be subjected to claims of false advertising, misrepresentation, significant financial penalties, costly mandatory product recalls and relabeling requirements, any of which could have a material adverse effect on our results of operations and financial condition.

***Product liability claims could adversely affect our business.***

As a manufacturer and distributor of products that are ingested, we could face product liability claims if, among other things, our products are alleged to result in injury to a consumer. We carry product liability insurance coverage; however, such insurance may not be sufficient to cover one or more large claims, or the insurer may successfully disclaim coverage as to a pending or future claim, which could have a material adverse effect on our results of operations and financial condition.

***Our CBD product line is subject to varying, rapidly changing federal, state and local laws, regulations, and rules, which could adversely affect our results of operations and financial condition.***

The CBD industry is evolving and subject to varying, and rapidly changing, laws, regulations and administrative practices. For example, the Agricultural Improvement Act of 2018 (the “2018 Farm Bill”) formally defined “hemp” as the *Cannabis sativa* plant and its derivatives, extracts and cannabinoids with a delta-9 tetrahydrocannabinol concentration of not more than 0.3%, and removed hemp from the federal definition of marijuana, making it no longer a Schedule I illegal drug under the Controlled Substances Act. The 2018 Farm Bill thus opened a pathway for the production and marketing of hemp and hemp derivatives, subject to compliance with certain federal requirements and state and local law. Our CBD products are derived from hemp as defined in the 2018 Farm Bill. The FDA, however, has taken the position that CBD is currently not lawful in food and dietary supplements because of the FDA’s prior approval of CBD as an active pharmaceutical ingredient in an approved new drug, though the agency has stated it will prioritize enforcement against CBD marketers making claims that their products can treat, prevent, or mitigate disease. At the direction of Congress, the FDA is currently engaged in a process of evaluating a regulatory approach for the lawful marketing of CBD-containing foods and dietary supplements. Continued development of CBD-related industries is dependent upon continued legalization of CBD-related products at the federal and state levels, and a number of factors could slow or halt progress in this area. Additionally, changes in applicable federal, state and local laws or regulations could restrict the products and services we offer or impose additional compliance costs on us or our customers.

In addition, the manufacture, labeling, and distribution of our CBD products are regulated by various federal, state and local agencies. These governmental authorities or litigators, such as class action lawyers or attorneys general, may commence regulatory or legal proceedings, which could restrict the permissible scope of our product claims or our ability to sell products in the future. Violations of applicable laws, or allegations of such violations, could disrupt our business and result in material adverse effects on our operations and financial condition. We cannot predict the nature of any future laws, regulations,

interpretations or applications, and it is possible that regulations may be enacted in the future that will have a material adverse effect on our business, including our ability to develop, sell, and expand our CBD-infused product line. Further, in the event of either repeal of federal, state or local laws and regulations, or of amendments thereto that are averse to our intended products, we may be restricted or limited with respect to those products that we may sell or distribute, which could adversely impact our intended business plan with respect to such products.

***We are subject to anti-bribery laws, including the FCPA.***

We are subject to anti-bribery laws, including the FCPA, which generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business as well as requiring companies and their intermediaries to maintain accurate books and records. In recent years, there has been a substantial increase in anti-bribery law enforcement activity by the Department of Justice (“DOJ”) and the SEC relating to business operations within certain countries in which we operate, including China. For example, in recent years, U.S. based direct selling companies with operations in China have been the subject of investigations and enforcement actions, or in some cases have initiated their own internal investigation, relating to alleged violations of the FCPA.

Our policies mandate compliance with anti-bribery laws by our employees and agents, including the requirements to maintain accurate information and internal controls. However, we may be liable for actions of our employees and agents, even if such actions are inconsistent with our policies. Being subject to an investigation by the DOJ or the SEC for an alleged violation of the FCPA could cause us to incur significant expenses and distractions that could adversely affect our business. Violations of the FCPA, or a similar anti-bribery law, may result in criminal or civil sanctions, including contract cancellations or debarment, and loss of reputation, which could have a material adverse effect on our results of operations and financial condition.

**Risks Related to Our Business**

***We may be unable to attract and retain independent consultants.***

As a direct selling company, our revenue depends primarily on the number and productivity of our independent consultants. We, like most direct selling companies, experience high levels of turnover among our independent consultants from year to year, who may terminate their service at any time. Generally, we need to increase the productivity of our independent consultants and/or retain existing independent consultants and attract additional independent consultants to maintain and/or increase future sales.

Many factors may affect our ability to attract and retain independent consultants, including:

- publicity regarding us, our products, our distribution channels or our competitors;
- on-going motivation of our independent consultants;
- the public’s perceptions about the value and efficacy of our products;
- the public’s perceptions and acceptance of direct selling;
- general and economic business conditions;
- government regulations;
- our compensation arrangements, including any changes thereto, training and support for our independent consultants; and
- competition in attracting and retaining independent consultants.

Our results of operations and financial condition could be materially adversely affected if our independent consultants are unable to maintain their current levels of productivity and/or if we are unable to retain existing independent consultants and attract additional independent consultants in sufficient numbers to sustain future growth or to maintain present sales levels.

***The loss of key independent consultants who have a significant sales networks could have a material adverse effect on our results of operations and financial condition.***

A significant amount of our net sales, in some of our markets, is dependent on a few independent consultants and their extensive sales networks. The loss or inactivity of one of these independent consultants who, together with their extensive sales network, generate a significant amount of our net sales could have a material adverse effect on our results of operations and financial condition.

***Our expansion in China is subject to risks associated with operating a joint venture.***

On August 25, 2014, we completed a transaction with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharma”), which created a joint venture owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma. Effective operation of the joint venture depends on good relations between us and Fosun Pharma, active synergies between the two companies and positive legal and regulatory recognition of the joint venture. Any disruption in relations, inability to work efficiently or disadvantageous treatment of the joint venture by the Chinese or other authorities could have a material adverse effect on our results of operations and financial condition.

***Currency exchange rate fluctuations could adversely affect our results of operation and financial condition.***

In 2021, we recognized approximately 68.9 percent of our net sales in markets outside the United States, the majority of which were recognized in each market’s respective local currency. We purchase inventory from companies in foreign markets and in the United States, primarily in U.S. dollars. In preparing our financial statements, we translate net sales and expenses in foreign countries from their local currencies into U.S. dollars using average exchange rates. Because a majority of our sales are in foreign countries, exchange rate fluctuations may have a significant effect on net sales and earnings. Our reported earnings have in the past been, and are likely to continue to be, significantly affected by fluctuations in currency exchange rates, with net sales and earnings generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar.

***We could incur obligations resulting from the activities of our independent consultants.***

We sell our products worldwide to a sales force of independent consultants who use the products themselves or resell them to customers. Independent consultants are not employees and operate their own business separate and apart from us. We may not be able to control aspects of their activities that may impact our business. If local laws and regulations, or the interpretation of local laws and regulations, change and require us to treat our independent consultants as employees, or if our independent consultants are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for a variety of obligations that are imposed upon employers relating to their employees, including employment related taxes and penalties, which could have a material adverse effect on our results of operations and financial condition. Our independent consultants also operate in jurisdictions where local legislation and governmental agencies require us to collect and remit taxes such as sales tax or value-added taxes. In addition, there is the possibility that some jurisdictions could seek to hold us responsible for false product or earnings potential related claims due to the actions of an independent consultant. If we were found to be responsible for any of these issues related to our independent consultants, it could have a material adverse effect on our results of operations and financial condition.

***We may be adversely affected by changes to our independent consultant compensation plans.***

We modify components of our compensation plans from time to time to keep them competitive and attractive to existing and potential independent consultants, to address changing market dynamics, to provide incentives to our independent consultants that we believe will help grow our business, to conform to local regulations and to address other business-related considerations. In September 2020, we implemented significant changes to our compensation plan for independent consultants in our North America and Latin America operating segments. Such changes could result in unintended or unforeseen negative economic and non-economic consequences to our business, such as higher than anticipated costs or difficulty in attracting and retaining independent consultants, either of which could have a material adverse effect on our results of operations and financial condition.

***Geopolitical issues, conflicts and other global events could adversely affect our results of operations and financial condition.***

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts. Such political issues and conflicts could have a material adverse effect on our results of operations and financial condition if they escalate in areas in which we do business. In addition, changes in and adverse actions by governments in foreign markets in which we do business could have a material adverse effect on our results of operations and financial condition. For example, the recent and continuing conflict arising from the invasion of Russia into Ukraine could adversely impact macroeconomic conditions, give rise to regional instability and result in heightened economic tariffs, sanctions and import-export restrictions from the U.S. and the international community in a manner that adversely affects us and our Russia, Central and Eastern Europe business segment, including to the extent that any such actions cause material business interruptions, restrict our ability in this region to conduct business with certain suppliers or vendors, utilize the banking system, or repatriate cash. Additionally, such conflict or sanctions may significantly devalue the Russian Ruble and other currencies and have a negative impact on the Russian and Eastern European economies.

***The ongoing coronavirus pandemic and the responses thereto around the world could adversely impact our business and operating results.***

Throughout the COVID-19 pandemic, governments around the world have issued orders restricting travel, the number of people who may gather, or for their citizens to shelter-in-place to slow the spread of COVID-19. Such orders, restrictions and recommendations have resulted in widespread closures of businesses not deemed “essential,” work stoppages, limitations on the number of people allowed to gather in one location, slowdowns and delays in world-wide supply chains, work-from-home policies, travel restrictions and cancellation of events, among other effects. In particular, travel and logistics restrictions, shelter-in-place orders and other measures, including working remotely, social distancing and other policies implemented in foreign and domestic sites to protect the health and safety of employees, have resulted in, and are expected to continue to result in, transportation disruptions (such as reduced availability of air transport, port closures, and increased border controls or closures), production delays and capacity limitations at our facilities and some of our customers and suppliers, as well as reduced workforce availability or productivity. These and other adverse impacts on our supply chain could limit our ability to obtain required materials in a timely manner, maintain adequate inventory levels, and respond to changes in customer demand, which could adversely affect our business and result of operations.

The duration and extent of COVID-19’s impact on our business are difficult to assess or predict. The widespread pandemic has resulted and may continue to result for an extended period, in significant disruption of global financial markets, reducing our ability to access capital, repatriate funds from foreign markets, which would negatively affect our liquidity. Further, quarantines or government reaction or shutdowns for COVID-19 could disrupt or halt our operations and materially harm our business, financial condition and results of operations. Our manufacturing personnel and other employees could also be affected by COVID-19, potentially reducing their availability, and a widespread outbreak of COVID-19 among our manufacturing or supply-chain employees could disrupt or halt our operations. Further, restrictions on gatherings of individuals may limit the ability of our independent consultants to sell our products. Additionally, the procedures we take to mitigate the effect of COVID-19 on our workforce, including but not limited to, social distancing and additional sanitizing measures, could reduce the efficiency of our operations, increase our operating costs or prove insufficient to protect our employees.

***Difficult economic conditions could adversely affect our results of operations and financial condition.***

Consumer spending habits, including spending for our products, are affected by, among other things, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. Economic slowdowns in the markets in which we do business may adversely affect consumer spending habits and demand for our products, which may result in lower net sales in future periods. A prolonged global or regional economic downturn could have a material adverse effect on our results of operations and financial condition. Unfavorable economic conditions in the financial, and credit markets, inflation, or other circumstances that adversely affect the ability of consumers to pay for our products could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

***Our manufacturing activity is subject to certain risks.***

We manufacture a significant portion of the products sold at our manufacturing facility located in Spanish Fork, Utah. As a result, we are dependent upon the uninterrupted and efficient operation of our manufacturing facility in Spanish Fork and our distribution facilities throughout the country. Our manufacturing facilities and distribution facilities are subject to the risk of catastrophic loss due to, among other things, earthquake, fire, flood, epidemic, terrorism or other natural or man-made disasters, as well as the occurrence of significant equipment failures. If any of these facilities were to experience a catastrophic loss, it would be expected to disrupt our operations and could have a material adverse effect on our results of operations and financial condition. We source many of our ingredients and some of our finished products through third-party suppliers. If any of our third-party suppliers were to suffer a catastrophic loss, it would cause delays in our manufacturing and could have a material effect on our results of operations and financial condition.

As the primary manufacturer of our own products, we are subject to FDA regulations on GMPs, which require us to maintain good manufacturing processes, including ingredient identification, manufacturing controls and record keeping. Compliance with these regulations has increased and may further increase our cost of manufacturing products. Our results of operations and financial condition could be materially adversely affected if regulatory authorities make determinations that we are not in compliance with FDA regulations on GMPs. A finding of noncompliance may result in administrative warnings, penalties or actions impacting our ability to continue selling certain products, which could have a material adverse effect on our results of operations and financial condition.

In addition, we contract with third-party manufacturers to produce some of our vitamins, mineral and other nutritional supplements, personal care products and certain other miscellaneous products in accordance with our specifications and standards. These contract manufacturers are subject to the same risks as our manufacturing facility as noted above. In addition, while we have implemented stringent quality control procedures to verify that our contract manufacturers comply with our specifications and standards, we do not have full control over their manufacturing activities. Significant delays and defects in our products resulting from the activities of our contract manufacturers may have a material adverse effect on our results of operations and financial condition.

***Supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand, could adversely affect our ability to meet customer demand, lead to higher costs, or result in excess or obsolete inventory.***

Our business depends on the timely supply of materials, services and related products to meet the demands of our customers, which depends in part on the timely delivery of materials and services from suppliers and contract manufacturers. Significant or sudden increases in demand for our products, as well as worldwide demand for the raw materials and services we require to manufacture and sell our products, may result in a shortage of such materials or may cause shipment delays due to transportation interruptions or capacity constraints. Such shortages or delays could adversely impact our suppliers' ability to meet our demand requirements. Difficulties in obtaining sufficient and timely supply of materials or services can have an adverse impact on our manufacturing operations and our ability to meet customer demand.

We may also experience significant interruptions of our manufacturing operations, delays in our ability to deliver products, increased costs or customer order cancellations as a result of:

- the failure or inability to accurately forecast demand and obtain sufficient quantities of quality raw materials on a cost-effective basis; volatility in the availability and cost of materials or services, including rising prices due to inflation;
- difficulties or delays in obtaining required import or export approvals;
- shipment delays due to transportation interruptions or capacity constraints, such as reduced availability of air or ground transport or port closures;
- information technology or infrastructure failures, including those of a third party supplier or service provider; and
- natural disasters or other events beyond our control (such as earthquakes, utility interruptions, tsunamis, hurricanes, typhoons, floods, storms or extreme weather conditions, fires, regional economic downturns, regional or global health epidemics, including the ongoing COVID-19 pandemic, geopolitical turmoil, increased trade restrictions between the U.S. and China and other countries, social unrest, political instability, terrorism, or acts of war) in locations where we or our customers or suppliers have manufacturing or other operations.

As more fully discussed in the risk factor "The ongoing coronavirus pandemic and the responses thereto around the world could adversely impact our business and operating results" above, the ongoing COVID-19 pandemic and measures taken in response by governments and businesses worldwide to contain its spread, including quarantines, facility closures, travel and logistics restrictions, border controls, and shelter in place or stay at home and social distancing orders, have adversely impacted and may continue to adversely impact our supply chain, manufacturing, logistics, workforce and operations, as well as the operations of our customers and suppliers globally. Such adverse impacts on our supply chain could limit our ability to manufacture and sell our products on a timely and cost-effective basis, which could adversely affect our business and results of operations.

***If we fail to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers, our business and results of operations could be harmed.***

Our business depends on our ability to source and distribute products in a timely manner. However, we cannot control all of the factors that might affect the timely and effective procurement of our products from our third-party contract manufacturers and the delivery of our products to our independent consultants and customers.

We are vulnerable to risks associated with importing and exporting materials and products manufactured both at our manufacturing facility and third-party manufacturing facilities, including, among other things: (a) risks of damage, destruction, or confiscation of products while in transit to our distribution centers; and (b) transportation and other delays in shipments, including as a result of heightened security screening, port congestion, and inspection processes or other port- of-entry limitations or restrictions in the United States. Failure to procure materials needed to manufacture our products and to deliver merchandise to our independent consultants and customers in a timely, effective, and economically viable manner could reduce our sales and gross margins, damage our brand, and harm our business.



We also rely on the timely and free flow of goods through open and operational ports from our suppliers and manufacturers and to our independent consultants and customers. Labor shortages at our own facilities, ports, our common carriers, or our suppliers or manufacturers could harm our business, particularly if labor shortages occur during periods of significant importing or manufacturing, potentially resulting in delayed or canceled orders by customers and unanticipated inventory accumulation or shortages. These and similar disruptions could result in harm to our business, results of operations, and financial condition.

In addition, we rely upon independent land-based and air freight carriers for product shipments to our independent consultants and customers who purchase our products. We may not be able to obtain sufficient freight capacity on a timely basis or at favorable shipping rates and, therefore, may not be able to receive products from suppliers or deliver products to retail partners or customers in a timely and cost-effective manner.

Accordingly, we are subject to the risks, including labor disputes, union organizing activity, inclement weather, public health crises such as the current COVID-19 pandemic (or other future pandemics or epidemics), and increased transportation costs, associated with our third-party contract manufacturers' and carriers' ability to provide products and services to meet our requirements. In addition, if the cost of fuel rises, the cost to deliver products may rise, which could harm our profitability.

***Taxation and transfer pricing could adversely affect our results of operations and financial condition.***

We are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our U.S. parent company and our foreign subsidiaries. These pricing laws are designed to ensure that appropriate levels of income and expense are reported by our U.S. and foreign entities, and that they are taxed appropriately. Regulators in the United States and in foreign markets closely monitor our corporate structures, intercompany transactions, and how we effectuate intercompany fund transfers. Our effective tax rate could increase, and our results of operations and financial condition could be materially adversely affected if regulators challenge our corporate structures, transfer pricing methodologies or intercompany transfers. We are eligible to receive foreign tax credits in the United States for certain foreign taxes paid abroad. In the event any audits or assessments are concluded adversely to us, we may not be able to offset the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we may not be able to take advantage of any foreign tax credits in the future. In addition, changes in the amount of our total and foreign source taxable income may also limit our ability to take advantage of foreign tax credits in the future. The various customs, exchange control and transfer pricing laws are continually changing, and are subject to the interpretation of governmental agencies.

We collect and remit value-added taxes and sales taxes in jurisdictions and states in which we have determined that nexus exists. Other states may claim, from time to time, that we have state-related activities constituting a sufficient nexus to require us to collect and remit value-added taxes and sales taxes in their state.

Despite our efforts to be aware of and to comply with such laws and changes to the interpretations thereof, we may not be able to continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to these interpretational changes, and such changes could have a material adverse effect on our results of operations and financial condition.

**Risks Related to Our Use of Technology and Intellectual Property**

***Cybersecurity risks and the failure to maintain the integrity of data could expose us to data loss, litigation and liability, which could adversely affect our results of operations and financial condition.***

We collect and retain large volumes of data from employees and independent consultants, including credit card numbers and other personally identifiable information, for business purposes, including transactional and promotional purposes. Our various information technology systems enter, process, summarize and report such data. The integrity and protection of this data are critical to our business. We are subject to significant security and privacy regulations, as well as requirements imposed by the credit card industry.

Similarly, a failure to adhere to the payment card industry's data security standards could cause us to incur penalties from payment card associations, termination of our ability to accept credit or debit card payments, litigation and adverse publicity, any of which could have a material adverse effect on our business and financial condition.

Maintaining compliance with these evolving regulations and requirements could be difficult and may increase costs. In addition, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data

could result in theft, loss or fraudulent or unlawful use of company, employee, consultant or guest data which could adversely affect our reputation, disrupt our operations, or result in remedial and other costs, fines or lawsuits, which could have a material adverse effect on our results of operations and financial condition. Although we take measures to protect the security, integrity and confidentiality of our data systems, we experience cyber-attacks of varying degrees and types on a regular basis. Our infrastructure may be vulnerable to these attacks, and in some cases, it could take time to discover them. Breaches of our data systems, or those of our vendors, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, “phishing” attacks, computer viruses, ransomware or malware, employee or insider error, malfeasance, social engineering, vendor software supply chain compromises, physical breaches or other actions, could result in material interruptions or malfunctions in our or such vendors’ websites, applications, data processing, or disruption of other business operations. For various reasons or circumstances, our employees may work remotely from time to time. For example, many of our employees have worked remotely in response to the spread of the COVID-19 pandemic. During such times, remote access heightens the risk of a cyber-attack. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information to gain access to our data or our users’ or customers’ data. Any such breach or unauthorized access could result in the unauthorized disclosure, misuse or loss of sensitive information and lead to significant legal and financial exposure, regulatory inquiries or investigations, loss of confidence by our sales force, disruption of our operations and damage to our reputation. These risks are heightened as we work with third-party partners and as our sales force uses social media, as the partners and social media platforms could be vulnerable to the same types of breaches.

***The storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations that could adversely affect our results of operation and financial condition.***

Some data we store, process and use, contains personal information, which subjects us to a variety of privacy, rights of publicity, data protection, content, protection of minors, and consumer protection laws and regulations in the United States and other countries. These laws and regulations are evolving in both the United States and in other countries. Such laws and regulations may impose significant fines or penalties and can be particularly restrictive. The application and interpretation of these laws and regulations are often uncertain and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in growth, retention or engagement, any of which could have a material adverse effect on our results of operations and financial condition.

While several proposals and discussions are before the United States federal government, a number of states have enacted laws or are considering the enactment of laws governing the release of credit card or other personal information received from consumers. For example, the California Consumer Privacy Act (“CCPA”), which went into effect January 1, 2020, among other things, requires covered companies to provide new disclosures to California consumers, affords such consumers new abilities to opt-out of certain sales of personal information, and subjects companies to increased financial penalties and damages in the event of a data breach or other violation. Additionally, the EU General Data Protection Regulation (“GDPR”), which went into effect on May 25, 2018, establishes requirements applicable to the processing of personal data, affords data protection rights to individuals, and imposes penalties for serious data breaches, including fines of up to 4% of our annual revenue, or €20 million, whichever is greater. Individuals also have a right to compensation under both CCPA and GDPR for financial or non-financial losses. GDPR and CCPA have imposed additional responsibility and liability in relation to our processing of personal data in the EU and our collection, use and sharing of personal information of California residents. GDPR and CCPA have also required us to change our various policies and procedures in the EU and the U.S., and if we are not compliant, could have a material adverse effect on our results of operations and financial condition. Another example is China’s new cybersecurity law. Foreign governments also may attempt to apply such laws extraterritorially or through treaties or other arrangements with U.S. governmental entities.

We cannot assure you that the privacy policies and other statements regarding our practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information. Whether and how existing domestic and international privacy and consumer protection laws and regulations apply is still uncertain and may take years to resolve. If privacy laws and regulations are drafted or interpreted broadly, they could be deemed to apply to the technology we use and could restrict our information collection methods or decrease the utility of information we would be permitted to store, process or use. The costs of compliance with these and other laws or regulatory actions may prevent us from selling our products, or increase the costs of doing so, and may affect our ability to invest in or develop products. In addition, a determination by a court or government agency that any of our practices, or those of our independent consultants, do not meet these standards could result in liability or adverse publicity, which could have a material adverse effect on our results of operations and financial condition.

***System failures could adversely affect our results of operations and financial condition.***

Like many companies, our business is highly dependent upon our information technology infrastructure (websites, accounting and manufacturing applications, and product and customer information databases) to manage effectively and efficiently our operations, including order entry, customer billing, accurate tracking of purchases and volume incentives and managing accounting, finance and manufacturing operations. The occurrence of a natural disaster, security breach or other unanticipated problem could result in interruptions in our day-to-day operations that could adversely affect our business. A long-term failure or impairment of any of our information systems could have a material adverse effect on our results of operations and financial condition.

***Our business is subject to intellectual property risks.***

Most of our products are not protected by patents. Restrictive regulations governing the precise labeling of ingredients and percentages for nutritional supplements, the large number of manufacturers that produce products with many active ingredients in common and the rapid change and frequent reformulation of products generally make obtaining patent protection for our products impractical. We have other intellectual property that we consider valuable, including trademarks for the Nature's Sunshine Products and Synergy names and logos. Our efforts to protect our intellectual property may be unsuccessful and third-parties may assert claims against us for infringement of intellectual property rights, which could result in us being required to obtain costly licenses for such rights, to pay royalties or to terminate our manufacturing of infringing products, all of which could have a material adverse effect on our results of operations and financial condition.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our corporate and Synergy offices are located in a facility in Lehi, Utah, that consists of approximately 61,000 square feet. This facility is leased from an unaffiliated third-party through a lease agreement which expires in 2029.

We own our principal warehousing and manufacturing facilities housed in a building consisting of approximately 270,000 square feet and located on approximately 10 acres in Spanish Fork, Utah.

We lease properties used primarily as distribution warehouses located in Georgia, Ohio, Texas and Utah, as well as offices and/or distribution warehouses in many of the countries in which we conduct business. For additional disclosure of leased properties, see Note 18, "Leases," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

We believe that our current facilities are adequate for our business operations.

**Item 3. Legal Proceedings**

Our legal proceedings are discussed in Note 13, "Commitments and Contingencies," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities****Market and Share Prices**

Our common stock is traded on the NASDAQ Global Market (symbol “NATR”).

The approximate number of our shareholders, of record as of February 25, 2022, was 1,303. This number of holders of record does not represent the actual number of beneficial owners of our common shares because shares are frequently held in “street name” by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

**Recent Sales of Unregistered Securities**

None

**Dividends**

On March 10, 2021, we announced a special non-recurring cash dividend of \$1.00 per common share in an aggregate amount of \$19.9 million that was paid on April 5, 2021, to shareholders of record on March 29, 2021. In accordance with the provisions of our 2012 Stock Incentive Plan (the “2012 Incentive Plan”), as a result of the special dividend we are required to make the participant’s original grant whole by preventing either dilution or enlargement of the benefits or potential benefits intended by the original grant. The 2012 Incentive Plan provides our Compensation Committee with the discretion to meet this requirement. See further discussion in the Share-Based Compensation section of this Note.

The declaration of dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by any indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

**Issuer Stock Purchases**

The following table summarizes the purchases of our common stock during the year ended December 31, 2021:

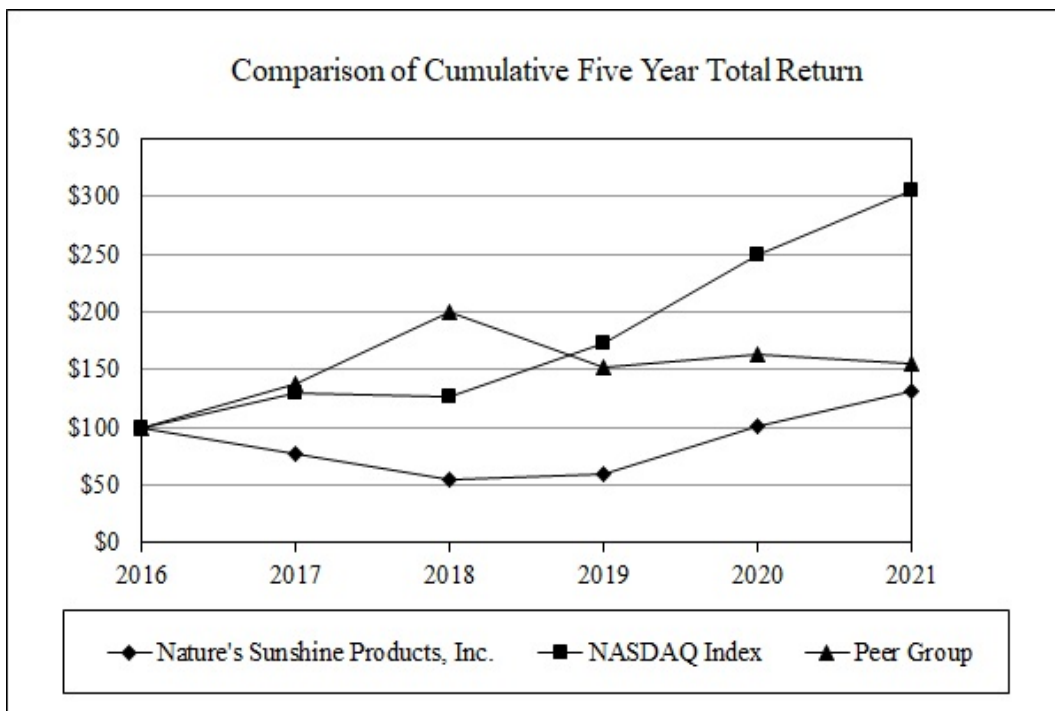
<b>Periods</b>	<b>Total Number of Shares Purchased (in thousands)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)</b>	<b>Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs<sup>(1)</sup> (in thousands)</b>
April 1, 2021 to April 30, 2021	—	\$ —	—	—
May 1, 2021 to May 31, 2021	—	—	—	—
June 1, 2021 to June 30, 2021	77	19.43	77	—
July 1, 2021 to July 31, 2021	84	17.8	84	—
August 1, 2021 to August 31, 2021	55	17.1	55	—
September 1, 2021 to September 30, 2021	134	15.42	134	—
October 1, 2021 to October 31, 2021	48	14.85	48	—
November 1, 2021 to November 30, 2021	15	16.85	15	—
December 1, 2021 to December 31, 2021	26	\$ 17.54	26	—
<b>Total</b>	<b>439</b>		<b>439</b>	<b>\$ 7,600</b>

On March 10, 2021, we announced a \$15.0 million common share repurchase program. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the year ended December 31, 2021, we repurchased 439,000 shares of our common stock for \$7.4 million. At December 31, 2021, the remaining balance available for repurchases under the program was \$7.6 million.

The actual timing, number, and value of common shares repurchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to repurchase any common shares under the authorization, and the repurchase plan may be suspended, discontinued, or modified at any time and for any reason.

**Performance Graph**

The graph below depicts our common stock as an index, assuming \$100.00 was invested on December 31, 2016, along with the composite prices of companies listed on the NASDAQ Stock Market and a selection of our peer group. Standard & Poor’s Investment Services provided this information. The comparisons in the graph are required by regulations of the SEC, and are not intended to forecast or be indicative of the possible future performance of our common stock. The publicly-traded companies that comprise this peer group include Herbalife International, Ltd., LifeVantage Corporation, NuSkin Enterprises, Inc. and USANA Health Sciences, Inc. We consider these companies to be representative of our peer group as they have similar product lines and distribution techniques.



The material in this section captioned “Performance Graph” is being furnished and shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall the material in this section be deemed to be incorporated by reference in any registration statement or other document filed with the SEC under the Securities Act of 1933, except to the extent we specifically and expressly incorporate it by reference into such filing.

	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
<b>Nature’s Sunshine Products, Inc.</b>	\$ 100.00	\$ 77.77	\$ 54.88	\$ 60.13	\$ 100.66	\$ 131.53
<b>NASDAQ Index</b>	100.00	129.64	125.96	172.18	249.51	304.85
<b>Peer Group</b>	100.00	137.97	200.68	152.49	164.04	155.79

Item 6. [Reserved]

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion highlights the principal factors that have affected our financial condition, results of operations, liquidity and capital resources for the periods described. This discussion should be read in conjunction with our consolidated financial statements and the related notes in Item 8, Part 2 of this report. This discussion contains forward-looking statements. Please see “Cautionary Note Regarding Forward-Looking Statements” for the risks, uncertainties and assumptions associated with these forward-looking statements.

### **OVERVIEW**

#### *Our Business, Industry and Target Market*

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products to a sales force of independent consultants who use the products themselves or resell them to consumers.

Our independent consultants market and sell our products to customers and sponsor other independent consultants who also market our products to customers. Our sales are highly dependent upon the number and productivity of our independent consultants. Growth in sales volume generally requires an increase in the productivity of our independent consultants and/or growth in the total number of independent consultants. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

In or about December 2019, a novel strain of coronavirus, SARS-CoV-2 “COVID-19”, began aggressively spreading throughout the world, including all the primary markets where we conduct business. As COVID-19 has spread throughout the world, it has impacted our markets differently. At various times during the course of the pandemic and throughout our markets, governments have issued orders and restrictions that have limited the ability of our consultants to meet with consumers, put downward pressure on our sales in many of our markets and added substantial uncertainties to our global supply chain. However, despite such restrictions, we experienced an increase in sales during the fourth quarter due primarily to increased demand for nutritional supplements. Although we are taking appropriate actions to mitigate the effects COVID-19 may have on our business, such actions may ultimately be insufficient to avoid substantial impact on the consolidated financial statement or material health of the Company. At this time, the duration of any business disruption and related financial impact cannot be reasonably estimated.

In 2021, we experienced an increase in our consolidated net sales of 15.3 percent (or 13.6 percent in local currencies) compared to 2020. Asia net sales increased approximately 27.5 percent (or 24.4 percent in local currencies) compared to 2020. Europe net sales increased approximately 17.8 percent (or 16.2 percent in local currencies) compared to 2020. North America net sales increased approximately 2.9 percent (or 2.4 percent in local currencies) compared to 2020. Latin America and Other net sales increased approximately 11.2 percent (or 10.1 percent in local currencies) compared to 2020.

In absolute terms, selling, general and administrative expenses increased \$22.8 million during 2021, and as a percentage of net sales were 34.7 percent and 34.1 percent for 2021 and 2020, respectively.

As an international business, we have significant sales and costs denominated in currencies other than the U.S. dollar. Sales in international markets denominated in foreign currencies are expected to continue to represent a substantial portion of our sales. Likewise, we expect foreign markets with functional currencies other than the U.S. dollar will continue to represent a substantial portion of our overall sales and related operating expenses. Accordingly, changes in foreign currency exchange rates could materially affect sales and costs or the comparability of sales and costs from period to period as a result of translating foreign markets financial statements into our reporting currency.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results

could differ from these estimates and those differences could have a material effect on our financial position and results of operations. We have discussed the development, selection and disclosure of these estimates with the Board of Directors and our Audit Committee.

A summary of our significant accounting policies is provided in Note 1, “Nature of Operations and Significant Accounting Policies,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report. We believe the critical accounting policies and estimates described below reflect our more significant estimates and assumptions used in the preparation of the consolidated financial statements. The impact and any associated risks on our business that are related to these policies are also discussed throughout this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” where such policies affect reported and expected financial results.

#### *Revenue Recognition*

Our revenue recognition practices are discussed in Note 2, “Revenue Recognition,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

#### *Inventories*

Inventories are adjusted to lower of cost and net realizable value, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions. If future demand and market conditions are less favorable than our assumptions, additional inventory adjustments could be required.

#### *Incentive Trip Accrual*

We accrue expenses associated with our direct sales program, which rewards independent consultants with paid attendance for incentive trips, including our conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as the trips are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities in amounts greater or less than the amounts recorded. We had accrued incentive trip costs of approximately \$6.7 million and \$6.4 million at December 31, 2021 and 2020, respectively, which are included in accrued liabilities in the consolidated balance sheets. Of the \$6.7 million accrued at December 31, 2021, \$5.5 million was recorded prior to January 1, 2020. Due to restrictions associated with COVID-19, we were unable to hold traditional incentive trips during the years ended December 31, 2021 and 2020.

#### *Contingencies*

We are involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated, we recognize a liability within a best estimate range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the liability related to the contingency and revise the estimate. Revisions in estimates of the liabilities could materially affect our results of operations in the period of adjustment. Contingencies are discussed in further detail in Note 13, “Commitments and Contingencies,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

#### *Income Taxes*

Our income tax expense, deferred tax assets and liabilities and contingent reserves reflect our best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income, and are consistent with the plans and estimates that we are using to manage the underlying businesses. Valuation allowances are recorded as reserves against net deferred tax assets when it is determined that net deferred tax assets are not likely to be realized

in the foreseeable future. As of December 31, 2021 and 2020, we had recorded valuation allowances of \$8.7 million and \$15.3 million, respectively, as offsets to deferred tax assets.

At December 31, 2021, foreign subsidiaries had unused operating loss carryovers for tax purposes of approximately \$4.9 million. The net operating losses will expire at various dates from 2022 through 2031, with the exception of those in some foreign jurisdictions where there is no expiration. As of December 31, 2021, we had approximately \$14.1 million of foreign tax and withholding credits. Of the \$14.1 million credits, \$13.8 million are foreign tax credits, most of which expire in 2024 and a portion of which are offset by valuation allowances.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

## **PRESENTATION**

Net sales represents gross sales including shipping and handling offset by volume rebates given to independent consultants. Volume rebates as a percentage of retail sales may vary by country, depending upon regulatory restrictions that limit or otherwise restrict rebates. We also offer reduced volume rebates with respect to certain products and promotions worldwide.

Our gross profit consists of net sales less cost of sales, which represents our manufacturing costs, the price we pay to raw material suppliers and manufacturers of our products, and duties and tariffs, as well as shipping and handling costs related to product shipments and distribution to our independent consultants.

Volume incentives are a significant part of our direct sales marketing program, and represent commission payments made to our independent consultants. These payments are designed to provide incentives for reaching higher sales levels through their own sales and the sales of independent consultants in their sales organization. Volume incentives vary slightly, on a percentage basis, by product due to our pricing policies and commission plans in place in various operations.

Selling, general and administrative expenses represent operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, consultant marketing, occupancy costs, communication costs, bank fees, independent service fees paid to independent service providers in China, depreciation and amortization, and other miscellaneous operating expenses.

Most of our sales to independent consultants outside the United States are made in the respective local currencies. In preparing our consolidated financial statements, sales are translated into U.S. dollars using average exchange rates. Additionally, the majority of our purchases from suppliers are generally made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and contribution margins and can generate transaction losses on intercompany payable balances in the local markets.



**RESULTS OF OPERATIONS**

The following table summarizes our consolidated net income (loss) from continuing operations results as a percentage of net sales for the periods indicated:

	Year Ended December 31,			
	2021		2020	
Net sales	100.0	%	100.0	%
Cost of sales	(26.0)		(26.3)	
Gross profit	74.0		73.7	
Operating expenses:				
Volume incentives	31.5		34.0	
Selling, general and administrative	34.7		34.1	
Operating income	7.8		5.6	
Other income (expense):				
Interest and other income, net	0.1		—	
Interest expense	(0.1)		—	
Foreign exchange gains (losses), net	(0.7)		0.3	
	(0.7)		0.3	
Income before provision for income taxes	7.1		5.9	
Provision for income taxes	0.4		—	
Net income	6.7	%	5.9	%

*Net Sales*

International operations have provided, and are expected to continue to provide, a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed, excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we present net sales excluding the impact of foreign exchange fluctuations. We compare the percentage change in net sales from one period to another period by excluding the effects of foreign currency exchange as shown below. Net sales excluding the impact of foreign exchange fluctuations is not a U.S. GAAP financial measure and removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the functional currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting the impact of foreign currency fluctuations is useful to investors because it allows a more meaningful comparison of net sales of our foreign operations from period to period. However, net sales excluding the impact of foreign currency fluctuations should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. See Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*.

**Year Ended December 31, 2021, as Compared to the Year Ended December 31, 2020**

*Net Sales*

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales, excluding the impact of currency fluctuations, for the years ended December 31, 2021 and 2020 (*dollar amounts in thousands*).

	Net Sales by Operating Segment				
	2021	2020	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	\$ 176,860	\$ 138,717	27.5 %	\$ 4,328	24.4 %
Europe	91,539	77,688	17.8 %	1,232	16.2 %
North America	149,746	145,481	2.9 %	748	2.4 %
Latin America and Other	25,939	23,319	11.2 %	258	10.1 %
	<u>\$ 444,084</u>	<u>\$ 385,205</u>	15.3 %	<u>\$ 6,566</u>	13.6 %

Consolidated net sales for the year ended December 31, 2021, were \$444.1 million compared to \$385.2 million in 2020, or an increase of approximately 15.3 percent. The increase was related to product sales growth in all of our operating business segments. Excluding the favorable impact of foreign currency exchange rate fluctuations, consolidated net sales for the year ended December 31, 2021 would have increased by 13.6 percent from 2020.

Asia

Net sales related to Asia for the year ended December 31, 2021, were \$176.9 million compared to \$138.7 million for 2020, an increase of 27.5 percent. In local currency, net sales increased by 24.4 percent compared to 2020. Fluctuations in foreign exchange rates had a \$4.3 million favorable impact on net sales for the year ended December 31, 2021.

Notable activity in the following markets contributed to the results of Asia:

In our South Korea market, net sales decreased approximately \$0.9 million, or 1.5 percent, for the year ended December 31, 2021, compared to 2020. Fluctuations in foreign exchange rates had a \$1.8 million favorable impact on net sales for the year ended December 31, 2021. In local currency, net sales decreased 4.4 percent compared to 2020. The decrease in local currency net sales was primarily the result of new product launches and extended promotions in 2020 that did not recur in 2021, as well as more pressure from government restrictions in the market intended to slow the spread of COVID-19.

In our Japan market, net sales increased approximately \$8.8 million, or 32.8 percent, for the year ended December 31, 2021, compared to 2020. Fluctuations in foreign exchange rates had a \$1.0 million unfavorable impact on net sales for the year ended December 31, 2021. In local currency, net sales increased 36.5 percent for the year ended December 31, 2021, compared to 2020. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

In our China market, net sales increased approximately \$13.7 million, or 39.3 percent, for the year ended December 31, 2021, compared to 2020. Fluctuations in foreign exchange rates had a \$2.3 million favorable impact on net sales for the year ended December 31, 2021. In local currency, net sales increased 32.6 percent for the year ended December 31, 2021, compared to 2020. Although net sales in 2020 were affected by government restrictions in the market intended to slow the spread of COVID-19, we attribute the growth in net sales primarily to initiatives designed to increase independent service providers' engagement levels and gain market share.

Europe

Net sales related to Europe were \$91.5 million for the year ended December 31, 2021, compared to \$77.7 million for 2020, an increase of 17.8 percent. The functional currency for many of these markets is the U.S. dollar which reduces the effect from foreign currency fluctuations. Fluctuations in foreign exchange rates had a \$1.2 million favorable impact on net sales for the year ended December 31, 2021. Net sales increased primarily as a result of product promotions that have improved consultant engagement as well as an increase in demand for nutritional supplements, among other factors.

### North America

Net sales related to North America for the year ended December 31, 2021, were \$149.7 million, compared to \$145.5 million for 2020, an increase of 2.9 percent. Fluctuations in foreign exchange rates had a \$0.7 million favorable impact on net sales for the year ended December 31, 2021. Excluding the impact of fluctuations in foreign exchange rates, local currency net sales in North America increased by 2.4 percent from 2020.

In the United States, net sales increased \$3.2 million, or 2.4 percent, for the year ended December 31, 2021, compared to 2020. The increase in the market is due to several factors including, among others, rebranding and rebuilding efforts of the Nature's Sunshine brand and consultant tools in the U.S. and an increase in demand for nutritional supplements in the U.S..

### Latin America and Other

Net sales related to Latin America and Other markets for the year ended December 31, 2021, were \$25.9 million, compared to \$23.3 million for 2020, an increase of 11.2 percent. Fluctuations in foreign exchange rates had a \$0.3 million favorable impact on net sales for the year ended December 31, 2021. Excluding the impact of fluctuations in foreign exchange rates, local currency net sales in Latin America and Other increased by 10.1 percent from 2020. The increase was primarily the result of changes in the independent consultant compensation plan as well as an increase in demand for nutritional supplements and new product offerings.

Further information related to our Asia, Europe, North America, and Latin America and Other business segments is set forth in Note 14, "Operating Business Segment and International Operation Information," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

### *Cost of Sales*

Cost of sales as a percent of net sales decreased to 26.0 percent in 2021, compared to 26.3 percent in 2020. The decrease in cost of sales percentage is driven by favorable changes in market mix and reserves taken in the prior year, partially offset by increased transportation costs.

### *Volume Incentives*

Volume incentives as a percent of net sales decreased to 31.5 percent in 2021, compared to 34.0 percent in 2020. These payments are designed to provide incentives for reaching higher sales levels. Volume incentives vary slightly, on a percentage basis, by product due to pricing policies and commission plans in place in the various operations. We do not pay volume incentives in China, instead we pay independent service fees, which are included in selling, general and administrative expenses. Volume incentives as a percentage of net sales can fluctuate based on promotional activity and mix of sales by market. The decrease in volume incentives as a percent of net sales for the year ended December 31, 2021 is primarily due to changes in market mix, reflecting growth in markets where volume incentives as a percentage of net sales are lower than the consolidated average, and the growth in NSP China. The decrease also reflects expected cost savings from the September 2020 launch of our new consultant sales and compensation plan in North America and Latin America.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses represent operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, marketing, occupancy costs, communications costs, bank fees, depreciation and amortization, independent services fees paid in China, and other miscellaneous operating expenses.

Selling, general and administrative expenses increased by \$22.8 million to \$154.1 million for the year ended December 31, 2021. Selling, general and administrative expenses were 34.7 percent and 34.1 percent of net sales for the years ended December 31, 2021 and 2020, respectively. The increase in selling, general and administrative expenses, was primarily related to higher service fees that resulted from growth in China's net sales, increased selling costs intended to drive growth initiatives in other markets, and direct selling costs associated with increased sales.

### *Other Income (Loss), Net*

Other income (loss), net, for the years ended December 31, 2021 and 2020, were losses of \$2.8 million and gains of \$1.3 million, respectively. Other income (loss), for the year ended December 31, 2021 primarily consisted of foreign exchange gains and losses as a result of net changes in foreign currencies primarily in Asia, Europe and Latin America.

*Income Taxes*

For 2021, we had an effective tax rate of 5.1 percent for 2021, compared to a benefit of 0.6 percent for 2020. The increase in the effective rate from 2020 to 2021 is primarily attributable to the decrease in prior year tax liability associated with uncertain tax positions which did not repeat in the current year. The effective rate for 2021 differed from the federal statutory rate of 21.0 percent primarily due to the following:

- Adjustments to valuation allowances decreased the effective rate by 19.7 percent in 2021. Included was the effect of releasing the valuation allowance on foreign tax credits which are expected to be utilized before expiration, offset in part by the impact of current year foreign losses in foreign affiliates that currently do not provide tax benefit.
- Favorable deductions for stock compensation decreased the tax rate by 4.0 percent in 2021.
- Nondeductible executive compensation increased the tax rate by 4.9 percent in 2021.
- Cumulative unfavorable adjustments related to foreign operations increased the tax rate by 2.4 percent in 2021. These adjustments relate to foreign items that are treated differently for tax purposes than they are for financial reporting purposes.
- Adjustments relating to the U.S. tax impact of foreign operations decreased the effective tax rate by 6.3 percentage points in 2021. The components of this calculation were:

<b>Components of U.S. tax impact of foreign operations</b>	<b>2021</b>
Foreign tax credits	(7.4)%
Foreign tax rate differentials	0.6
Foreign withholding taxes	1.9
Transfer pricing adjustment	0.6
Impact of GILTI	0.7
Impact of FDII	(2.7)
<b>Total</b>	<b>(6.3)%</b>

Changes to the effective rate due to impact of foreign tax credits, foreign tax rate differentials, foreign withholding taxes, transfer pricing, GILTI and FDII are expected to be recurring; however, depending on various factors, the changes may be favorable or unfavorable for a particular period. Given the large number of jurisdictions in which we do business and the number of factors that can impact effective tax rates in any given year, this rate is likely to reflect significant fluctuations from year-to-year.

*Year Ended December 31, 2020, as Compared to the Year Ended December 31, 2019*

For a discussion regarding our financial condition and results of operations for fiscal 2020 compared to fiscal 2019, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021.

**SUMMARY OF QUARTERLY OPERATIONS — UNAUDITED**

The following tables present our unaudited summary of quarterly operations during 2021 and 2020 for each of three month periods ended March 31, June 30, September 30, and December 31 (*amounts in thousands*).

	For the Quarter Ended			
	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Net sales	\$ 102,421	\$ 108,978	\$ 114,746	\$ 117,939
Cost of sales	(26,979)	(28,463)	(29,419)	(30,606)
Gross profit	75,442	80,515	85,327	87,333
Volume incentives	34,255	35,443	35,793	34,353
Selling, general and administrative	33,552	35,586	39,528	45,437
Operating income	7,635	9,486	10,006	7,543
Other income (expense)	(1,933)	529	(886)	(558)
Income before income taxes	5,702	10,015	9,120	6,985
Provision (benefit) for income taxes	1,550	3,221	3,662	(6,818)
Net income	4,152	6,794	5,458	13,803
Net income attributable to noncontrolling interests	136	254	600	364
Net income attributable to common shareholders	\$ 4,016	\$ 6,540	\$ 4,858	\$ 13,439
Basic and diluted net income per common share:				
Basic earnings per share attributable to common shareholders:	\$ 0.20	\$ 0.33	\$ 0.24	\$ 0.68
Diluted earnings per share attributable to common shareholders:	\$ 0.20	\$ 0.32	\$ 0.24	\$ 0.67
Dividends declared per common share	\$ 1.00	\$ —	\$ —	\$ —

	For the Quarter Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Net sales	\$ 95,926	\$ 87,286	\$ 100,250	\$ 101,743
Cost of sales	(24,681)	(23,017)	(27,175)	(26,403)
Gross profit	71,245	64,269	73,075	75,340
Volume incentives	33,018	29,165	34,310	34,657
Selling, general and administrative	31,065	28,504	33,294	38,434
Operating income	7,162	6,600	5,471	2,249
Other income (expense)	(2,410)	1,509	671	1,569
Income before income taxes	4,752	8,109	6,142	3,818
Provision (benefit) for income taxes	1,746	1,976	(1,027)	(2,832)
Net income from continuing operations	3,006	6,133	7,169	6,650
Net income attributable to noncontrolling interests	44	379	414	784
Net income attributable to common shareholders	\$ 2,962	\$ 5,754	\$ 6,755	\$ 5,866
Basic and diluted net income per common share:				
Basic earnings per share attributable to common shareholders:	\$ 0.15	\$ 0.30	\$ 0.35	\$ 0.30
Diluted earnings per share attributable to common shareholders:	\$ 0.15	\$ 0.29	\$ 0.34	\$ 0.29

Basic and diluted income per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly net income per share may not equal the total computed for the year.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses and costs, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of December 31, 2021, working capital was \$88.0 million, compared to \$84.4 million as of December 31, 2020. At December 31, 2021, we had \$86.2 million in cash and cash equivalents, of which \$67.7 million was held in our foreign markets and may be subject to various withholding taxes and other restrictions related to repatriations.

Our net consolidated cash inflows (outflows) are as follows (*in thousands*):

	Year Ended December 31,	
	2021	2020
Operating activities	\$ 34,608	\$ 37,659
Investing activities	(6,612)	(4,905)
Financing activities	(31,721)	3,878

### Operating Activities

For the year ended December 31, 2021, operating activities provided cash in the amount of \$34.6 million compared to \$37.7 million in 2020. Operating cash flows decreased primarily due to an investment in inventory and timing of accounts receivable payments.

### Investing Activities

Cash used in investing activities includes cash paid for capital expenditures related to the purchase of equipment, computer systems and software. For the years ended December 31, 2021 and 2020, these amounts were \$6.7 million and \$4.9 million, respectively.

Financing Activities

For the year ended December 31, 2021, financing activities used \$31.7 million in cash, compared to providing \$3.9 million in cash used for the same period in 2020. For the years ended December 31, 2021 and 2020, we had net borrowings of \$0 and \$3.7 million, respectively.

For the year ended December 31, 2021, we used cash to pay a special non-recurring cash dividend of \$1.00 per common share in an aggregate amount of \$19.9 million.

For the year ended December 31, 2021, we used cash to repurchase 439,000 shares of our common stock under the share repurchase program for \$7.4 million. At December 31, 2021, the remaining balance available for repurchases under the program was \$7.6 million.

On July 11, 2017, we entered into a revolving credit agreement with Bank of America, N.A., with a borrowing limit of \$25.0 million (the "Credit Agreement"). On June 11, 2020 the Credit Agreement was amended to extend the term to mature on July 1, 2023. The amendment also allows for additional borrowings of \$15.0 million or up to three separate increases of no less than \$5.0 million each. On March 8, 2021, we signed an amendment to the Credit Agreement that eliminates the Index floor from the calculation of interest. We pay interest on any borrowings under the Credit Agreement, which through March 8, 2021, was at LIBOR, or the Index floor of 0.75 percent, plus 2.25 percent (3.00 percent as of December 31, 2020), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. Interest under the amended Credit Agreement is at LIBOR, plus 2.25 percent (2.35 percent as of December 31, 2021), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. We are required to settle our net borrowings under the Credit Agreement only upon maturity. At December 31, 2021, there was no outstanding balance under the Credit Agreement.

The Credit Agreement contains customary financial covenants, including financial covenants relating to our solvency and leverage. In addition, the Credit Agreement restricts certain capital expenditures, lease expenditures, other indebtedness, liens on assets, guarantees, loans and advances, dividends, mergers, consolidations and transfers of assets except as permitted in the Credit Agreement. The Credit Agreement is collateralized by our manufacturing facility, accounts receivable balance, inventory balance and other assets. We were in compliance with the debt covenants set forth in the Credit Agreement as of December 31, 2021.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of \$6.0 million (the "Capital Credit Agreement"). On November 19, 2020, we executed on the Capital Credit Agreement and borrowed \$3.7 million. We do not expect to make any additional borrowings under the Capital Credit Agreement. We pay interest on any borrowings under the Capital Credit Agreement at a fixed rate of 3.00 percent and are required to settle our borrowings under the Capital Credit Agreement in thirty-six monthly payments, each equal to \$0.1 million. The Capital Credit Agreement is collateralized by any new equipment purchased under the agreement. As of December 31, 2021, there was \$2.4 million outstanding balance under the Capital Credit Agreement, \$1.2 million of which was classified as current.

During the years ended December 31, 2021 and 2020, there were no additional borrowings made by our joint venture from the Company or its joint venture partner. The note between the joint venture and the Company eliminates in consolidation.

We believe that cash generated from operations, along with available cash and cash equivalents, will be sufficient to fund our normal operating needs, including capital expenditures, on both a short- and long-term basis.

In addition, other things such as a prolonged economic downturn, a decrease in demand for our products, an unfavorable settlement of our unrecognized tax positions or non-income tax contingencies could adversely affect our long-term liquidity.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes information about contractual obligations as of December 31, 2021 (*in thousands*):

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Operating lease obligations	\$ 22,979	\$ 5,183	\$ 7,904	\$ 5,281	\$ 4,611
Self-insurance reserves (1)	424	424		—	—
Other long-term liabilities reflected on the balance sheet (2)	—	—	—	—	—
Revolving credit facility (3)	—	—	—	—	—
Capital credit agreement (4)	2,418	1,244	1,174	—	—
Total	\$ 25,821	\$ 6,851	\$ 9,078	\$ 5,281	\$ 4,611

- (1) At December 31, 2021, there were \$0.7 million of liabilities. We retain a significant portion of the risks associated with certain employee medical benefits and product liability insurance. Recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. Amounts for self-insurance obligations are included in accrued liabilities and long-term other liabilities on the consolidated balance sheet.

We maintain product liability coverage to cover possible claims, and still maintain accruals for periods prior to obtaining coverage. Prior to this, we accrued \$0.3 million that we believe is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based on our history of such claims. However, there can be no assurance that these estimates will prove to be sufficient, nor can there be any assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our business prospects, financial position, results of operations or cash flows. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with the product liability obligations, we are unable to estimate the years in which cash settlement may occur.

- (2) At December 31, 2021, there were \$1.0 million of liabilities. We provide a nonqualified deferred compensation plan for our officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus (less the participant's share of employment taxes). The deferrals become an obligation owed to the participant by us under the plan. Upon separation of the participant from the service with us, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years. As we cannot easily determine when our officers and key employees will separate from us, we are unable to estimate the years in which cash settlement may occur.
- (3) We entered into the revolving Credit Agreement with Bank of America, N.A., that permits us to borrow up to \$25.0 million through July 1, 2023, bearing interest at LIBOR, plus 2.25 percent. We must pay an annual commitment fee of 0.25 percent on the unused portion of the commitment. At December 31, 2021, we had \$25.0 million available under this facility. At December 31, 2021, there was no outstanding balance under the Credit Agreement.
- (4) We entered into the Capital Credit Agreement with Banc of America Leasing and Capital, LLC, under which we borrowed \$3.7 million, bearing interest at a fixed rate of 3.00 percent. We are required to settle our borrowings over thirty-six monthly payments, each equal to \$0.1 million. As of December 31, 2021, there was \$2.4 million outstanding balance under the Capital Credit Agreement.

We have entered into long-term agreements with third-parties in the ordinary course of business, in which we have agreed to pay a percentage of net sales in certain regions in which we operate, or royalties on certain products. In 2021 and 2020, the aggregate amounts of these payments were \$26,000 and \$23,000, respectively.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We conduct business in several countries and intend to grow our international operations. Net sales, operating income and net income are affected by fluctuations in currency exchange rates, interest rates and other uncertainties inherent in doing business and selling product in more than one currency. In addition, our operations are exposed to risks associated with changes in social, political and economic conditions inherent in international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment.



## Foreign Currency Risk

During the year ended December 31, 2021, approximately 68.9 percent of our net sales and approximately 60.5 percent of our operating expenses were realized outside of the United States. Inventory purchases are transacted primarily in U.S. dollars from vendors located in the United States. The local currency of each international subsidiary is generally the functional currency. We conduct business in multiple currencies with exchange rates that are not on a one-to-one relationship with the U.S. dollar. All revenues and expenses are translated at average exchange rates for the periods reported. Therefore, our operating results will be positively or negatively affected by a weakening or strengthening of the U.S. dollar in relation to another fluctuating currency. Given the uncertainty and diversity of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition, but we have provided consolidated sensitivity analyses below of functional currency/reporting currency exchange rate risks. Changes in various currency exchange rates affect the relative prices at which we sell our products. We regularly monitor our foreign currency risks and periodically take measures to reduce the risk of foreign exchange rate fluctuations on our operating results. We do not use derivative instruments for hedging, trading or speculating on foreign exchange rate fluctuations. Additional discussion of the impact on the effect of currency fluctuations has been included in Management's Discussion and Analysis included in Part II, Item 7 of this report.

The following table sets forth a composite sensitivity analysis of net sales, costs and expenses and operating income in connection with the strengthening of the U.S. dollar (our reporting currency) by 10%, 15%, and 25% against every other fluctuating functional currency in which we conduct business. It is noted that individual net sales, cost and expense components and operating income were equally sensitive to increases in the strength of the U.S. dollar against every other fluctuating currency in which we conduct business.

Exchange rate sensitivity for the year ended December 31, 2021 (*dollar amounts in thousands*):

		With Strengthening of U.S. Dollar by:					
		10%		15%		25%	
		(\$)	(%)	(\$)	(%)	(\$)	(%)
Net sales	\$ 444,084	\$ (21,065)	(4.7) %	\$ (30,224)	(6.8) %	\$ (46,343)	(10.4) %
Cost and expenses:							
Cost of sales	115,467	(6,003)	(5.2) %	(8,613)	(7.5) %	(13,207)	(11.4) %
Volume incentives	139,844	(7,862)	(5.6) %	(11,280)	(8.1) %	(17,296)	(12.4) %
Selling, general and administrative	154,103	(4,170)	(2.7) %	(5,984)	(3.9) %	(9,175)	(6.0) %
Operating income	\$ 34,670	\$ (3,030)	(8.7) %	\$ (4,347)	(12.5) %	\$ (6,665)	(19.2) %

Certain of our operations, including Russia and Ukraine, are served by a U.S. branch through third-party entities, for which all business is conducted in U.S. dollars. Although changes in exchange rates between the U.S. dollar and the Russian ruble or the Ukrainian hryvnia do not result in currency fluctuations within our financial statements, a weakening or strengthening of the U.S. dollar in relation to these other currencies can significantly affect the prices of our products and the purchasing power of our independent consultants within these markets.

The following table sets forth a composite sensitivity analysis of our financial assets and liabilities by those balance sheet line items that are subject to exchange rate risk, together with the total gain or loss from the strengthening of the U.S. dollar in relation to our various fluctuating functional currencies. The sensitivity of our financial assets and liabilities, taken by balance sheet line items, is somewhat less than the sensitivity of our operating income to increases in the strength of the U.S. dollar in relation to other fluctuating currencies in which we conduct business.

Exchange Rate Sensitivity of financial assets and liabilities as of December 31, 2021 *(dollar amounts in thousands)*

	With Strengthening of U.S. Dollar by:					
	10%		15%		25%	
	(Loss) (\$)	(Loss) (%)	(Loss) (\$)	(Loss) (%)	(Loss) (\$)	(Loss) (%)
<b>Financial Assets Included in Current Assets Subject to Exchange Rate Risk</b>						
Cash and cash equivalents	\$ 86,184	\$ (5,454) (6.3) %	\$ (7,826) (9.1) %	\$ (11,999) (13.9) %		
Accounts receivable, net	8,871	(559) (6.3) %	(802) (9.0) %	(1,230) (13.9) %		
<b>Financial Liabilities Included in Current Liabilities Subject to Exchange Rate Risk</b>						
Accounts payable	9,702	(326) (3.4) %	(468) (4.8) %	(718) (7.4) %		
<b>Net Financial Assets Subject to Exchange Rate Risk</b>						
	\$ 85,353	\$ (5,687) (6.7) %	\$ (8,160) (9.6) %	\$ (12,511) (14.7) %		

The following table sets forth the local currencies other than the U.S. dollar in which our assets that are subject to exchange rate risk were denominated as of December 31, 2021, and represent a significant concentration upon translation into U.S. dollars. None of our liabilities that are denominated in a local currency other than the U.S. dollar and that are subject to exchange rate risk represent a significant concentration upon translation into U.S. dollars. We use the spot exchange rate for translating balance sheet items from local currencies into our reporting currency. The respective spot exchange rate for each such local currency meeting the foregoing thresholds is provided in the table as well.

 Translation of Cash Amounts Denominated in Local Currency as of December 31, 2021 *(dollar amounts in thousands)*:

	Translated into U.S. Dollars	At Spot Exchange Rate per One U.S. Dollar
Cash and Cash Equivalents		
China (Yuan Renminbi)	\$ 19,545	6.4
South Korea (Won)	11,256	1,188.6
Japan (Yen)	9,970	115.1
Canada (Dollar)	2,584	1.3
Other	16,643	Varies
Total foreign denominated cash and cash equivalents	59,998	
U.S. dollars held by foreign subsidiaries	7,710	
Total cash and cash equivalents held by foreign subsidiaries	\$ 67,708	

Finally, the following table sets forth the annual weighted-average of fluctuating currency exchange rates of each of the local currencies per one U.S. dollar for each of the local currencies in which annualized net sales would exceed \$10.0 million during any of the two periods presented. We used the annual average exchange rate for translating items from the statement of operations from local currencies into our reporting currency.

Year ended December 31,	2021	2020
Canada (Dollar)	1.3	1.3
China (Yuan Renminbi)	6.5	6.9
European Markets (Euro)	0.8	0.9
Japan (Yen)	109.7	106.8
South Korea (Won)	1,143.7	1,178.6
Poland (Zloty)	3.9	3.9
Taiwan (Dollar)	27.9	29.4

The local currency of the foreign subsidiaries is used as the functional currency, except for where our operations are served by a U.S. based subsidiary (for example, Russia and Ukraine). The financial statements of foreign subsidiaries, where

the local currency is the functional currency, are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

The functional currency in highly inflationary economies is the U.S. dollar, and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The re-measurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three-year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation and other pertinent economic factors. During the years ended December 31, 2021 and 2020, we did not operate in any countries considered to be highly inflationary.

**Interest Rate Risk**

On December 31, 2021, we did not have any available for sale investments.

On December 31, 2021, we had no outstanding balance on our revolving credit line.

**Item 8. Financial Statements and Supplementary Data**

**INDEX TO FINANCIAL STATEMENTS**

<a href="#">REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID No.34)</a>	<a href="#">37</a>
<a href="#">CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2021 AND 2020</a>	<a href="#">39</a>
<a href="#">CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020</a>	<a href="#">40</a>
<a href="#">CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020</a>	<a href="#">41</a>
<a href="#">CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020</a>	<a href="#">42</a>
<a href="#">CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020</a>	<a href="#">43</a>
<a href="#">NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</a>	<a href="#">45</a>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nature’s Sunshine Products, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nature’s Sunshine Products, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2021, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Deferred Income Tax Assets—Valuation Allowance—Refer to Notes 1 and 10 to the financial statements*

##### *Critical Audit Matter Description*

The Company recognizes deferred income taxes for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The Company files tax returns in multiple jurisdictions with complex tax laws and regulations. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized based on estimates of future taxable income. As of December 31, 2021, the Company has \$30.5 million of gross deferred tax assets and a valuation allowance of \$8.7 million.

The valuation of deferred tax assets was determined to be a critical audit matter due to taxable income across the multiple jurisdictions in which the Company files its tax returns and the complexity of the tax laws and regulations. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, when

performing audit procedures to evaluate the reasonableness of management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's estimates of future taxable income across multiple jurisdictions and the determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested the effectiveness of controls over the valuation allowance for deferred tax assets, including management's controls over the estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.
- We evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary.
- With the assistance of our income tax specialists, we evaluated the sources of management's estimated future taxable income and the related impact on the determination of whether it is more likely than not that the deferred tax assets will be realized. This included evaluation of:
  - Whether the sources of taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax law.
  - The timing of future reversals of existing temporary differences.
  - Tax planning strategies.
- We evaluated management's ability to accurately estimate future taxable income by comparing actual results to management's historical estimates.
- We evaluated the reasonableness of management's estimates of future taxable income by comparing the estimates to:
  - Historical taxable income.
  - Historical information for certain of its peer companies.
  - Internal communications to management and the Board of Directors.
  - Evidence obtained in other areas of the audit.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah  
March 8, 2022

We have served as the Company's auditor since 2007.

## NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

As of December 31,	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 86,184	\$ 92,069
Accounts receivable, net of allowance for doubtful accounts of \$143 and \$454, respectively	8,871	7,375
Inventories	60,852	47,683
Prepaid expenses and other	8,760	6,938
Total current assets	<u>164,667</u>	<u>154,065</u>
Property, plant and equipment, net	50,857	54,355
Operating lease right-of-use assets	18,349	20,210
Restricted investment securities - trading	964	989
Deferred income tax assets	13,590	8,693
Other assets	10,447	11,186
	<u>\$ 258,874</u>	<u>\$ 249,498</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 9,702	\$ 6,486
Accrued volume incentives and service fees	23,131	19,481
Accrued liabilities	31,600	31,710
Deferred revenue	3,694	2,092
Current installments of long-term debt and revolving credit facility	1,244	1,306
Related party note	302	1,200
Income taxes payable	2,647	2,387
Current portion of operating lease liabilities	4,350	4,992
Total current liabilities	<u>76,670</u>	<u>69,654</u>
Liability related to unrecognized tax benefits	—	92
Long-term portion of operating lease liabilities	15,919	16,412
Long-term debt and revolving credit facility	1,174	2,418
Deferred compensation payable	964	989
Long-term deferred income tax liabilities	1,566	1,391
Other liabilities	1,177	1,308
Total liabilities	<u>97,470</u>	<u>92,264</u>
Shareholders' equity:		
Common stock, no par value; 50,000 shares authorized, 19,724 and 19,697 shares issued and outstanding as of December 31, 2021, and 2020, respectively	133,382	139,311
Retained earnings	35,025	26,030
Noncontrolling interests	3,202	1,848
Accumulated other comprehensive loss	(10,205)	(9,955)
Total shareholders' equity	<u>161,404</u>	<u>157,234</u>
	<u>\$ 258,874</u>	<u>\$ 249,498</u>

See accompanying notes to consolidated financial statements.

## NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(Amounts in thousands, except per share information)

Year Ended December 31,	2021	2020
Net sales	\$ 444,084	\$ 385,205
Cost of sales	(115,467)	(101,276)
Gross profit	328,617	283,929
Operating expenses:		
Volume incentives	139,844	131,150
Selling, general and administrative	154,103	131,297
Operating income	34,670	21,482
Other income (expense):		
Interest and other income, net	466	171
Interest expense	(250)	(102)
Foreign exchange gains (losses), net	(3,064)	1,270
	(2,848)	1,339
Income from operations before provision for income taxes	31,822	22,821
Provision (benefit) for income taxes	1,615	(137)
Net income	30,207	22,958
Net income attributable to noncontrolling interests	1,354	1,621
Net income attributable to common shareholders	\$ 28,853	\$ 21,337
Basic and diluted net income per common share		
Basic earnings per share attributable to common shareholders	\$ 1.45	\$ 1.09
Diluted earnings per share attributable to common shareholders	\$ 1.42	\$ 1.07
Weighted-average basic common shares outstanding	19,858	19,537
Weighted-average diluted common shares outstanding	20,327	19,968
Dividends declared per common share	\$ 1.00	\$ —

See accompanying notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Amounts in thousands)*

Year Ended December 31,	2021	2020
Net income	\$ 30,207	\$ 22,958
Foreign currency translation gain (loss) (net of tax)	(250)	1,270
Total comprehensive income	29,957	24,228
Net income attributable to noncontrolling interests	1,354	1,621
Total comprehensive income attributable to common shareholders	<u>\$ 28,603</u>	<u>\$ 22,607</u>

See accompanying notes to consolidated financial statements.

## NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 (Amounts in thousands, except per share data)

	Common Stock		Retained Earnings	Noncontrolling Interests	Accumulated Other Comprehensive Loss	Total
	Shares	Value				
Balance at January 1, 2020	19,410	\$ 135,741	\$ 4,693	\$ 227	\$ (11,225)	\$ 129,436
Share-based compensation expense	—	3,787	—	—	—	3,787
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	287	(217)	—	—	—	(217)
Net income	—	—	21,337	1,621	—	22,958
Other comprehensive income	—	—	—	—	1,270	1,270
<b>Balance at December 31, 2020</b>	<b>19,697</b>	<b>139,311</b>	<b>26,030</b>	<b>1,848</b>	<b>(9,955)</b>	<b>157,234</b>
Share-based compensation expense	—	3,731	—	—	—	3,731
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	466	(2,235)	—	—	—	(2,235)
Repurchase of common stock	(439)	(7,425)	—	—	—	(7,425)
Cash dividends (\$1.00 per share)	—	—	(19,858)	—	—	(19,858)
Net income	—	—	28,853	1,354	—	30,207
Other comprehensive loss	—	—	—	—	(250)	(250)
<b>Balance at December 31, 2021</b>	<b>19,724</b>	<b>\$ 133,382</b>	<b>\$ 35,025</b>	<b>\$ 3,202</b>	<b>\$ (10,205)</b>	<b>\$ 161,404</b>

See accompanying notes to consolidated financial statements.

**NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Amounts in Thousands)*

Year Ended December 31,	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 30,207	\$ 22,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (recovery of) doubtful accounts	(47)	77
Depreciation and amortization	11,162	10,743
Noncash lease expense	5,354	4,735
Share-based compensation expense	3,731	3,787
Loss (gain) on sale of property and equipment	(28)	29
Deferred income taxes	(4,129)	(4,357)
Purchase of trading investment securities	(36)	(60)
Proceeds from sale of trading investment securities	175	339
Realized and unrealized gains on investments	(105)	(115)
Foreign exchange (gains) losses	3,064	(1,270)
Changes in operating assets and liabilities:		
Accounts receivable	(1,681)	106
Inventories	(14,456)	(154)
Prepaid expenses and other	(1,922)	(1,762)
Other assets	182	(55)
Accounts payable	3,080	2,090
Accrued volume incentives and service fees	3,985	77
Accrued liabilities	402	5,341
Deferred revenue	1,618	766
Lease liabilities	(5,442)	(4,716)
Income taxes payable	(393)	671
Liability related to unrecognized tax positions	(92)	(1,407)
Deferred compensation payable	(21)	(164)
Net cash provided by operating activities	<u>34,608</u>	<u>37,659</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(6,666)	(4,905)
Proceeds from sale of property, plant and equipment	54	—
Net cash used in investing activities	<u>(6,612)</u>	<u>(4,905)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of cash dividends	(19,858)	—
Proceeds from notes payable	—	9,098
Principal payments of long-term debt	(1,306)	(5,374)
Principal payments of borrowings from related party	(897)	(318)
Proceeds from exercise of stock options	(2,235)	472
Repurchase of common stock	(7,425)	—
Net cash provided by (used in) financing activities	<u>(31,721)</u>	<u>3,878</u>
Effect of exchange rates on cash and cash equivalents	(2,160)	1,808
Net increase (decrease) in cash and cash equivalents	(5,885)	38,440
Cash and cash equivalents at beginning of the year	92,069	53,629
Cash and cash equivalents at end of the year	<u>\$ 86,184</u>	<u>\$ 92,069</u>

<b>Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes, net of refunds	\$ 6,222	\$ 4,832
Cash paid for interest	202	86
<b>Supplemental disclosure of noncash investing, and financing activities:</b>		
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	330	85

See accompanying notes to consolidated financial statements.

**NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

We are a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products to a sales force of independent consultants who uses the products themselves or resells them to consumers.

We market our products in Austria, Belarus, Canada, China, Colombia, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, Norway, Panama, Poland, Russia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine and the United States. We also market our products through a wholesale model to Australia, Brazil, Chile, Israel, New Zealand, Norway, Peru and the United Kingdom.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts and transactions of the Company and our subsidiaries. At December 31, 2021 and 2020, substantially all of our subsidiaries were wholly owned. Intercompany balances and transactions have been eliminated in consolidation. We consolidate the joint ventures in Hong Kong and China in our consolidated financial statements, with another party's interest presented as a noncontrolling interest. Additionally, we operate a limited number of markets in jurisdictions where local laws require the formation of a partnership with an entity domiciled in that market. These partners have no rights to participate in the sharing of revenues, profits, losses or distribution of assets upon liquidation of these partnerships.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, in these financial statements and accompanying notes. Actual results could differ from these estimates due to the uncertainty around the magnitude and duration of the COVID-19 pandemic, as well as other factors and those differences could have a material effect on our financial position and results of operations.

The significant accounting estimates inherent in the preparation of our financial statements include estimates associated with our determination of liabilities related to independent consultant incentives, the determination of income tax assets and liabilities, certain other non-income tax and value-added tax contingencies, and legal contingencies. In addition, significant estimates form the basis for allowances with respect to inventory valuations. Various assumptions and other factors enter into the determination of these significant estimates. The process of determining significant estimates takes into account historical experience and current and expected economic conditions.

**Cash and Cash Equivalents**

We consider all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. Substantially all of our cash deposits either exceed the United States federally insured limit or are located in countries that do not have government insured accounts or are subject to tax withholdings when repatriating earnings.

### **Accounts Receivable**

Accounts receivable consist principally of receivables from credit card companies, arising from the sale of products to our independent consultants, and receivables from independent consultants in foreign markets. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. However, due to the geographic dispersion of credit card and independent consultant receivables, the collection risk is not considered to be significant. Substantially all of the receivables from credit card companies were current as of December 31, 2021 and 2020. We maintain an allowance for potential credit losses that is based primarily on the aging category, historical trends and management's evaluation of the financial condition of account holder. This reserve is adjusted periodically as information about specific accounts becomes available.

### **Restricted Investment Securities**

We have certain restricted investment securities classified as trading securities. We maintain our trading securities portfolio to generate returns that are offset by corresponding changes in certain liabilities related to our deferred compensation plans (see Note 12). The trading securities portfolio consists of marketable securities, which are recorded at fair value and are included in long-term restricted investment securities on the consolidated balance sheets because they remain our assets until they are actually paid out to the participants. These investment securities are not available to us to fund operations as they are restricted for the payment of the deferred compensation payable. We have established a rabbi trust to finance obligations under the plan. Both realized and unrealized gains and losses on trading securities are included in interest and other income.

### **Fair Value of Financial Instruments**

Our financial instruments, consisting primarily of cash and cash equivalents, accounts receivable, investments, and accounts payable, approximate fair value due to their short-term nature. The carrying value of our debt approximates fair value due to its recent acquisition and short maturity. During the years ended December 31, 2021, and 2020, we did not have any write-offs related to the remeasurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

### **Inventories**

Inventories are adjusted to lower of cost and net realizable value, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions. If future demand and market conditions are less favorable than management's assumptions, additional inventory adjustments could be required.

### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for buildings range from 20 to 50 years; building improvements range from 7 to 10 years; machinery and equipment range from 2 to 10 years; computer software and hardware range from 3 to 10 years; and furniture and fixtures range from 2 to 5 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Maintenance and repairs are expensed as incurred and major improvements are capitalized.

### **Other Assets**

Other assets include lease deposits, deposits with third-party service providers, intangible assets, and deposits to operate in certain markets.

### **Impairment of Long-Lived Assets**

We review our long-lived assets, such as property, plant and equipment and intangible assets, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If an impairment indicator existed, we would use an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets were recoverable. An impairment loss would be calculated by determining the difference between the carrying values and the fair values of these assets.

### **Incentive Trip Accrual**

We accrue for expenses associated with our direct sales program, which rewards independent consultants with paid attendance for incentive trips, including our conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded. We have accrued convention and meeting costs of \$6.7 million and \$6.4 million at December 31, 2021, and 2020, respectively, which are included in accrued liabilities in the consolidated balance sheets. Of the \$6.7 million accrued at December 31, 2021, \$5.5 million was recorded prior to January 1, 2020. Due to restrictions associated with COVID-19, we were unable to hold traditional incentive trips during the year ended December 31, 2021 and 2020.

### **Foreign Currency Translation**

The local currency of the foreign subsidiaries is used as the functional currency, except for our operations are served by a U.S. based subsidiary (for example, Russia and Ukraine). The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at year end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

The functional currency in highly inflationary economies is the U.S. dollar and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three-year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation, and other pertinent economic factors. During the years ended December 31, 2021 and 2020, we did not operate in any countries considered to be highly inflationary.

### **Revenue Recognition**

Net sales include sales of products and shipping and handling charges, net of estimates for product returns and any related sales incentives or rebates based upon historical information and current trends. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at the point in time in which the customer obtains control of the products, per the agreed shipping terms in the respective market. Revenue recognition is discussed in further detail in Note 2.

### **Advertising Costs**

Advertising costs are expensed as incurred and classified in selling, general and administrative expenses. Advertising expense incurred for the years ended December 31, 2021 and 2020, totaled approximately \$8.2 million and \$1.8 million, respectively. The increase in advertising costs is due to our calculated effort to build brand awareness.

### **Research and Development**

All research and development costs are expensed as incurred and classified in selling, general and administrative expense. Total research and development expenses were approximately \$1.4 million and \$1.5 million for the years ended December 31, 2021 and 2020, respectively.

### **Contingencies**

We are involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated, we record our best estimate within a range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the liability related to the contingency and revise the estimates. Revisions in estimates of the liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 13.

**Income Taxes**

Our income tax expense includes amounts related to the United States and many foreign jurisdictions and is comprised of current year income taxes payable, changes in our deferred tax assets and liabilities and contingent reserves.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. Deferred tax assets are offset by a valuation allowance if it is believed to be more likely than not that some portion of the deferred tax asset will not be fully realized. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

**Net Income Per Common Share**

Basic net income per common share (“Basic EPS”) is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per common share (“Diluted EPS”) reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income per common share.

The following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for all years *dollar and share amounts in thousands, except for per share information*:

	2021	2020
<b>Net income attributable to common shareholders:</b>		
Net income	\$ 28,853	\$ 21,337
<b>Basic weighted-average shares outstanding</b>	<b>19,858</b>	19,537
<b>Basic earnings per share attributable to common shareholders:</b>		
Net income	\$ 1.45	\$ 1.09
<b>Diluted Shares Outstanding:</b>		
Basic weighted-average shares outstanding	19,858	19,537
Share-based awards	469	431
Diluted weighted-average shares outstanding	20,327	19,968
<b>Diluted earnings per share attributable to common shareholders:</b>		
Net income	\$ 1.42	\$ 1.07
<b>Potentially dilutive shares excluded from diluted-per-share amounts:</b>		
Share-based awards	425	703
<b>Potentially anti-dilutive shares excluded from diluted-per-share amounts:</b>		
Share-based awards	—	176



For the years ended December 31, 2021 and 2020, potentially dilutive shares excluded from diluted-per-share amounts include performance-based restricted stock units (“RSU”), for which certain metrics have not been achieved. Potentially anti-dilutive shares excluded from diluted-per-share amounts include both non-qualified stock options and unearned performance-based options to purchase shares of common stock with exercise prices greater than the weighted-average share price during the period and shares that would be anti-dilutive to the computation of diluted net income per share for each of the years presented.

#### **Share-Based Compensation**

Our outstanding stock options include time-based stock options, which vest over differing periods ranging from the date of issuance up to 48 months from the option grant date and performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options.

Our outstanding RSUs include time-based RSUs, which vest over differing periods ranging from 12 months up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to revenue and earnings growth, earnings-per-share, and/or stock price levels. RSUs granted to the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting.

We recognize all share-based payments to Directors and employees, including grants of stock options and RSUs, in the statement of operations based on their grant-date fair values. We record compensation expense over the vesting period of the stock options and RSUs based on the fair value of the stock options and RSUs on the date of grant.

#### **Comprehensive Income (Loss)**

Comprehensive income (loss) includes all changes in shareholders’ equity except those resulting from investments by, and distributions to, shareholders. Accordingly, our comprehensive income (loss) includes net income and foreign currency adjustments that arise from the translation of the financial statements of our foreign subsidiaries.

#### **Recent Accounting Pronouncements**

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating taxes during the quarters and the recognition of deferred tax liabilities for outside basis differences. The amendments in this update are effective for reporting periods beginning after December 15, 2020, with early adoption permitted. The adoption of this ASU did not have a significant impact on our Consolidated Financial Statements.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are elective and subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This could affect balances of right of use assets, lease liabilities, and notes payables. The amendments in this update are effective as of March 12, 2020 through December 31, 2022. The adoption of this ASU is not expected to have a significant impact on our Consolidated Financial Statements.

#### **NOTE 2: REVENUE RECOGNITION**

Net sales include sales of products and shipping and handling charges, net of estimates for product returns and any related sales incentives or rebates based upon historical information and current trends. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at the point in time in which the customer obtains control of the products, per the agreed shipping terms in the respective market. The majority of our contracts have a single performance obligation and are short term in nature. Contracts with multiple performance obligations are insignificant. Amounts received for unshipped merchandise are recorded as deferred revenue. Membership fees are deferred and amortized as revenue over the life of the membership, primarily one year.

A reserve for product returns is recorded based upon historical experience. We allow independent consultants to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of our markets,

the requirements to return product are more restrictive. Sales returns for the years ended December 31, 2021 and 2020, were \$1.1 million and \$2.0 million, respectively.

Amounts billed to customers for shipping and handling are reported as a component of net sales. Shipping and handling revenues of approximately \$1.7 million and \$3.4 million were reported as net sales for the years ended December 31, 2021 and 2020, respectively. The decrease is primarily due to promotions designed to drive growth in our North America segment.

Volume incentives, and other sales incentives or rebates, are a significant part of our direct sales marketing program, and represent commission payments made to independent consultants. These payments are designed to provide incentives for reaching higher sales levels. The amount of volume incentive recognized is determined based upon the amount of qualifying purchases in a given month and recorded as volume incentive expense. Payments to independent consultants for sales incentives or rebates related to their own purchases are recorded as a reduction of revenue. Payments for sales incentives and rebates are calculated monthly based upon qualifying sales.

Taxes that have been assessed by governmental authorities and that are directly imposed on revenue-producing transactions between us and our customers, including sales, use, value-added, and some excise taxes, are presented on a net basis (excluded from net sales).

#### Contract Liabilities - Customer Loyalty Programs

Historically, we have offered loyalty point programs which allowed customers to earn loyalty points on personal orders. Loyalty points were recorded as contract liabilities in deferred revenue. These programs were accounted for as a reduction in the transaction price and generally recognized as points that were redeemed for additional products. During the year ended December 31, 2020 these programs were discontinued.

The following table presents changes in these contract liability balances for the years ended December 31, 2020 and 2021 (*dollar amounts in thousands*):

Outstanding at January 1, 2020	\$	955
Increase (decrease) attributed to:		
Customer loyalty net deferrals		7,370
Customer loyalty redemptions		(7,342)
<b>Outstanding at December 31, 2020</b>		<b>983</b>
Decrease attributed to:		
<b>Customer loyalty redemptions</b>		<b>(983)</b>
<b>Outstanding at December 31, 2021</b>	<b>\$</b>	<b>—</b>

*The table above excludes liability for sales returns, as they are insignificant.*

#### Disaggregation of Revenue

Our products are grouped into six principal categories: general health, immune, cardiovascular, digestive, personal care and weight management. We have four business segments that are based primarily upon the geographic region where each segment operates. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy® WorldWide brands. See Note 14, Segment Information, for further information on our reportable segments and our presentation of disaggregated revenue by reportable segment and product category.

#### Practical Expedients and Exemptions

We have made the accounting policy election to treat shipping and handling as a fulfillment activity rather than a promised service under Topic 606.

We generally expense volume incentives when incurred because the amortization period would have been one year or less.

All of our contracts with customers have a duration of less than one year. The value of any unsatisfied performance obligations is insignificant.

**NOTE 3: RESTRUCTURING RELATED EXPENSES**

In 2020, we continued to execute our strategy to reduce costs and improve efficiencies. During the year ended December 31, 2020, we incurred **6.8** million of non-recurring expenses that are recorded primarily in selling, general and administrative expense consisting of severance. Of the restructuring expenses incurred during the year ended December 31, 2020, \$0.4 million of severance and rent expenses remained payable at December 31, 2020.

In 2021, we continued to execute our strategy to reduce costs and improve efficiencies. During the year ended December 31, 2021, we incurred **6.4** million of non-recurring expenses that are recorded primarily in selling, general and administrative expense consisting of severance. Of the restructuring expenses incurred during the year ended December 31, 2021, \$0.2 million of severance and rent expenses remained payable at December 31, 2021.

The following table summarizes the 2020, and 2021 restructuring activity (*dollar amounts in thousands*):

	<b>Total</b>
Liability balance at January 1, 2020	\$ 383
Increase in liability	808
Reduction in liability (payments)	(840)
<b>Liability balance at December 31, 2020</b>	<b>351</b>
<b>Increase in liability</b>	<b>417</b>
<b>Reduction in liability (payments)</b>	<b>(594)</b>
<b>Liability balance at December 31, 2021</b>	<b>\$ 174</b>

**NOTE 4: INVENTORIES**

The composition of inventories is as follows (*dollar amounts in thousands*):

<b>As of December 31,</b>	<b>2021</b>	<b>2020</b>
Raw materials	\$ 22,494	\$ 13,956
Work in process	1,746	1,351
Finished goods	36,612	32,376
Total inventory	<b>\$ 60,852</b>	<b>\$ 47,683</b>

**NOTE 5: PROPERTY, PLANT AND EQUIPMENT**

The composition of property, plant and equipment is as follows (*dollar amounts in thousands*):

<b>As of December 31,</b>	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 351	\$ 363
Buildings and improvements	32,845	32,324
Machinery and equipment	30,631	27,955
Furniture and fixtures	12,237	12,557
Computer software and hardware	57,535	56,838
	<b>133,599</b>	<b>130,037</b>
Accumulated depreciation and amortization	<b>(82,742)</b>	<b>(75,682)</b>
Total property, plant and equipment	<b>\$ 50,857</b>	<b>\$ 54,355</b>

Depreciation expense was \$11.1 million and \$10.4 million for the years ended December 31, 2021 and 2020, respectively.

Capitalized interest was immaterial for the years ended December 31, 2021 and 2020.

**NOTE 6: INVESTMENT SECURITIES**

Our trading securities portfolio totaled \$1.0 million and \$1.0 million at December 31, 2021 and 2020, respectively, and generated a gains of \$0.1 million and \$0.1 million, for the years ended December 31, 2021 and 2020, respectively.

**NOTE 7: ACCRUED LIABILITIES**

The composition of accrued liabilities is as follows (*dollar amounts in thousands*):

As of December 31,	2021	2020
Salaries and employee benefits	\$ 15,025	\$ 15,293
Sales, use and property tax (See Note 13)	3,169	3,256
Convention and meeting costs	6,682	6,375
Other	6,724	6,786
<b>Total</b>	<b>\$ 31,600</b>	<b>\$ 31,710</b>

**NOTE 8: REVOLVING CREDIT FACILITY AND OTHER OBLIGATIONS**

On July 11, 2017, we entered into a revolving credit agreement with Bank of America, N.A., with a borrowing limit of \$5.0 million (the “Credit Agreement”). On June 11, 2020 the credit agreement was amended to extend the term to mature on July 1, 2023. The amendment also allows for additional borrowings of \$15.0 million or up to three separate increases of no less than \$5.0 million each. On March 8, 2021, we signed an amendment to the credit agreement that eliminates the Index floor from the calculation of interest. We pay interest on any borrowings under the Credit Agreement, which through March 8, 2021, was at LIBOR, or the Index floor of 0.75 percent, plus 2.25 percent (3.00 percent as of December 31, 2020), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. Interest under the amended Credit Agreement is at LIBOR, plus 2.25 percent (2.35 percent as of December 31, 2021), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. We are required to settle our net borrowings under the Credit Agreement only upon maturity. At December 31, 2021, there was no outstanding balance under the Credit Agreement.

The Credit Agreement contains customary financial covenants, including financial covenants relating to our solvency and leverage. In addition, the Credit Agreement restricts certain capital expenditures, lease expenditures, other indebtedness, liens on assets, guarantees, loans and advances, dividends, mergers, consolidations and transfers of assets except as permitted in the Credit Agreement. The Credit Agreement is collateralized by our manufacturing facility, accounts receivable, inventories and other assets. We were in compliance with the debt covenants set forth in the Credit Agreement as of December 31, 2021.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of \$6.0 million (the “Capital Credit Agreement”). On November 19, 2020, we executed on the Capital Credit Agreement and borrowed \$3.7 million. We do not expect to make any additional borrowings under the Capital Credit Agreement. We pay interest on any borrowings under the Capital Credit Agreement at a fixed rate of 3.00 percent and are required to settle our borrowings under the Capital Credit Agreement in 36 monthly payments, of \$0.1 million. The Capital Credit Agreement is collateralized by any new equipment purchased under the agreement. As of December 31, 2021, there was \$2.4 million outstanding balance under the Capital Credit Agreement, \$1.2 million of which was classified as current.

Future maturities of long-term debt at December 31, 2021 (*dollar amounts in thousands*):

Year Ending December 31,		
2022	\$	1,244
2023		1,174
Thereafter		—
<b>Total</b>	<b>\$</b>	<b>2,418</b>

**NOTE 9: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The components of accumulated other comprehensive income (loss), net of tax, are as follows *(dollar amounts in thousands)*:

	Foreign Currency Translation Adjustments	Write-off of cumulative translation adjustments	Total Accumulated Other Comprehensive Loss
Balance as of January 1, 2020	\$ (10,630)	\$ (595)	\$ (11,225)
Activity, net of tax	1,270	—	1,270
Balance as of December 31, 2020	<b>(9,360)</b>	<b>(595)</b>	<b>(9,955)</b>
Activity, net of tax	<b>(250)</b>	—	<b>(250)</b>
Balance as of December 31, 2021	<b>\$ (9,610)</b>	<b>\$ (595)</b>	<b>\$ (10,205)</b>

**NOTE 10: INCOME TAXES**

Income from continuing operations before provision (benefit) for income taxes are taxed under the following jurisdictions *(dollar amounts in thousands)*:

Year Ended December 31,	2021	2020
Domestic	\$ 14,932	\$ 3,273
Foreign	16,890	19,548
Total	<b>\$ 31,822</b>	<b>\$ 22,821</b>

Components of the provision (benefit) for income taxes for each of the two years in the period ended December 31, 2021 are as follows *(dollar amounts in thousands)*:

Year Ended December 31,	2021	2020
Current:		
Federal	\$ —	\$ (1,056)
State	54	147
Foreign	5,690	5,129
Subtotal	<b>5,744</b>	<b>4,220</b>
Deferred:		
Federal	(5,679)	(2,332)
State	146	52
Foreign	1,404	(2,077)
Subtotal	<b>(4,129)</b>	<b>(4,357)</b>
Total provision (benefit) for income taxes	<b>\$ 1,615</b>	<b>\$ (137)</b>

Certain prior year amounts included in the table below have been reclassified for comparative purposes. The provision (benefit) for income taxes, as a percentage of income from continuing operations before provision (benefit) for income taxes, differs from the statutory U.S. federal income tax rate due to the following:

Year Ended December 31,	2021		2020	
Statutory U.S. federal income tax rate	21.0	%	21.0	%
State income taxes, net of U.S. federal income tax benefit	0.4		1.3	
U.S. tax impact of foreign operations	(6.3)		6.7	
Valuation allowance change	(19.7)		(25.0)	
Unrecognized tax benefits	0.5		(6.1)	
Permanent foreign items	2.4		3.1	
Withholding tax on royalties	3.4		2.8	
Executive compensation	4.9		1.3	
Stock compensation	(4.0)		(0.4)	
Tax return to provision differences	0.4		(3.3)	
Elimination of provision on intercompany transactions	1.7		(2.0)	
Other	0.4		—	
Effective income tax rate	5.1	%	(0.6)	%

Adjustments relating to the U.S. impact of foreign operations decreased the effective tax rate by 6.3 percentage points in 2021 and increased the effective tax rate by 6.7 percentage points in 2020. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2021		2020	
Foreign tax credits	(7.4)	%	(4.0)	%
Foreign tax rate differentials	0.6		3.1	
Foreign withholding taxes	1.9		2.8	
Transfer pricing adjustment	0.6		4.3	
Impact of GILTI	0.7		0.6	
Impact of FDII	(2.7)		(0.1)	
Total	(6.3)	%	6.7	%

Certain prior year amounts included in the table below have been reclassified for comparative purposes. The significant components of the deferred tax assets (liabilities) are as follows (*dollar amounts in thousands*):

As of December 31,	2021	2020
Inventory	\$ 1,173	\$ 1,011
Accrued liabilities	2,364	2,274
Operating lease liabilities	2,871	3,273
Deferred compensation	228	233
Share-based compensation	877	1,332
Intangible assets	131	149
Bad debts	30	102
Net operating losses	4,861	5,978
Foreign tax and withholding credits	14,116	14,453
Accrued compensation	1,726	1,422
Other deferred tax assets	2,160	1,933
Valuation allowance	(8,650)	(15,262)
Total deferred tax assets	21,887	16,898
Accelerated depreciation	(5,171)	(4,197)
Right of use assets	(2,544)	(2,943)
Tax on unremitted earnings	(2,107)	(2,318)
Other deferred tax liabilities	(41)	(138)
Total deferred tax liabilities	(9,863)	(9,596)
Total deferred taxes, net	\$ 12,024	\$ 7,302

The components of deferred tax assets (liabilities), net are as follows (*dollar amounts in thousands*):

As of December 31,	2021	2020
Net deferred tax assets	\$ 13,590	\$ 8,693
Net deferred tax liabilities	(1,566)	(1,391)
Total deferred taxes, net	\$ 12,024	\$ 7,302

We have elected the period cost method (costs are treated as a current period expense when incurred) under U.S. GAAP as it relates to GILTI income inclusions in U.S. taxable income. Each reporting period we analyze our indefinite reinvestment assertions with respect to undistributed foreign earnings. As of December 31, 2021, we continue to assert that we do not intend to reinvest undistributed foreign earnings indefinitely in our foreign subsidiaries.

We have provided a valuation allowance of \$8.7 million and \$15.3 million as of December 31, 2021 and 2020, respectively, for certain deferred tax assets, including foreign net operating losses, for which we cannot conclude it is more likely than not that they will be realized. We reviewed our tax positions and decreased the valuation allowance by approximately \$6.6 million in 2021 primarily due to a domestic decrease of \$7.0 million and a foreign increase of \$0.4 million. For financial reporting purposes, the decrease in valuation allowances decreases income tax expenses in the year recorded. At December 31, 2021, we had approximately \$14.1 million of foreign tax and withholding credits. Of the \$14.1 million credits, \$13.8 million are foreign tax credits, most of which expire in 2024 and a portion of which are offset by a valuation allowance.

At December 31, 2021, foreign subsidiaries had unused operating loss carryovers for tax purposes of approximately \$4.9 million. The net operating losses will expire at various dates from 2022 through 2031, with the exception of those in some foreign jurisdictions where there is no expiration. The foreign net operating losses have a valuation allowance recorded against the portion expected to expire before utilization.

We are subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. We believe we have appropriately provided for income taxes for all years. Several factors drive the calculation of our tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and regulations; (iii) the issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to our reserves, which would impact our reported financial results.

Our U.S. federal income tax returns for 2018 through 2020 are open to examination for federal tax purposes. We have several foreign tax jurisdictions that have open tax years from 2016 through 2020.

The total outstanding balance for liabilities related to unrecognized tax benefits at December 31, 2021 and 2020 was \$0 and \$0.1 million, respectively. Included in these amounts is approximately \$0 and \$36,000, respectively, of combined interest and penalties. We decreased interest and penalties approximately \$6,000 and \$0.1 million for the years ended December 31, 2021 and 2020, respectively. We account for interest expense and penalties for unrecognized tax benefits as part of our income tax provision.

During the years ended December 31, 2021 and 2020, we recorded a benefit related to the lapse of applicable statute of limitations of approximately \$0.1 million and \$1.3 million for the years ended December 31, 2021 and 2020, respectively, all of which favorably impacted our effective tax rate.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax benefits, excluding interest and penalties, is as follows for the years *dollar amounts in thousands*):

Year Ended December 31,	2021	2020
Unrecognized tax benefits, opening balance	\$ 56	\$ 1,385
Settlement of liability reclassified as income tax payable	—	—
Payments on liability	(175)	—
Tax positions taken in a prior period		
Gross increases	412	—
Gross decreases	(237)	(106)
Tax positions taken in the current period		
Gross increases	—	—
Gross decreases	—	—
Lapse of applicable statute of limitations	(52)	(1,210)
Currency translation adjustments	(4)	(13)
Unrecognized tax benefits, ending balance	<u>\$ —</u>	<u>\$ 56</u>

We do not anticipate a significant change to liabilities related to unrecognized tax benefits within the next twelve months and do not have any unrecognized tax benefits that, if recognized, would affect the effective tax rate.

Although we believe our estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which it has reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which we make such determination.

#### NOTE 11: CAPITAL TRANSACTIONS

##### Dividends

On March 10, 2021, we announced a special non-recurring cash dividend of \$1.00 per common share in an aggregate amount of \$19.9 million that was paid on April 5, 2021, to shareholders of record on March 29, 2021. In accordance with the provisions of our 2012 Stock Incentive Plan (the “2012 Incentive Plan”), as a result of the special dividend we are required to make the participant’s original grant whole by preventing either dilution or enlargement of the benefits or potential benefits intended by the original grant. The 2012 Incentive Plan provides our Compensation Committee with the discretion to meet this requirement. See further discussion in the Share-Based Compensation section of this Note.

No dividends were declared for the year ended December 31, 2020.

The declaration of dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by any indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.



## Share Repurchase Program

On March 10, 2021, we announced a \$15.0 million common share repurchase program. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the year ended December 31, 2021, we repurchased 439,000 shares of our common stock for \$7.4 million. At December 31, 2021, the remaining balance available for repurchases under the program was \$7.6 million.

## Share-Based Compensation

During the year ended December 31, 2012, our shareholders adopted and approved the 2012 Incentive Plan. The 2012 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. The Compensation Committee of the Board of Directors has authority and discretion to determine the type of award as well as the amount, terms and conditions of each award under the 2012 Incentive Plan, subject to the limitations of the 2012 Incentive Plan. A total of 1,500,000 shares of common stock were originally authorized for the granting of awards under the 2012 Stock Incentive Plan. In 2015, our shareholders approved an amendment to the 2012 Incentive Plan, to increase the number of shares of Common Stock reserved for issuance by 1,500,000 shares. On May 5, 2021, our shareholders approved the Amended and Restated 2012 Stock Incentive Plan, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The number of shares available for awards, as well as the terms of outstanding awards, are subject to adjustment as provided in the 2012 Incentive Plan for stock splits, stock dividends, recapitalizations and other similar events.

We also maintain the 2009 Incentive Plan, which was approved by shareholders in 2009. The 2009 Incentive Plan also provided for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. Under the 2012 Incentive Plan, any shares subject to award, or awards forfeited or reacquired by the Company issued under the 2009 Incentive Plan are available for award up to a maximum of 400,000 shares.

### Stock Options

Our outstanding stock options include time-based stock options, which vest over differing periods ranging from the date of issuance up to 48 months from the option grant date; and performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten as reported in four of five consecutive quarters over the term of the options.

Stock option activity for 2021 and 2020 consisted of the following (*share amounts in thousands, except for per share information*):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted-Average Grant Date Fair Value
Options outstanding at January 1, 2020	290	\$ 11.49	
Granted	—	—	\$ —
Forfeited or canceled	—	—	—
Exercised	(64)	9.33	5.56
<b>Options outstanding at December 31, 2020</b>	<b>226</b>	<b>12.10</b>	<b>5.42</b>
Granted	—	—	—
Forfeited or canceled	—	—	—
Exercised	(54)	12.00	6.61
<b>Options outstanding at December 31, 2021</b>	<b>172</b>	<b>\$ 12.13</b>	<b>\$ 5.05</b>

During the years ended December 31, 2021 and 2020, no options to purchase shares of common stock under the 2012 Stock Incentive Plan were granted.

For the years ended December 31, 2021 and 2020, we issued 54,000 and 64,000 shares of common stock upon the exercise of stock options at an average exercise price of \$12.00 and \$9.33 per share, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2021 and 2020 was \$0.4 million and \$0.2 million, respectively. For

the years ended December 31, 2021 and 2020, we recognized \$0.2 million and \$0.1 million of tax benefits from the exercise of stock options during the period, respectively.

Share-based compensation expense from time-based stock options for the years ended December 31, 2021 and 2020, was \$0, respectively. As of December 31, 2021 and 2020, the unrecognized share-based compensation cost related to grants described above was \$0, respectively. As of December 31, 2021, there are no unvested options.

At December 31, 2021, the aggregate intrinsic value of outstanding and exercisable options to purchase 172,000 shares of common stock was \$1.1 million. At December 31, 2020, the aggregate intrinsic value of outstanding and exercisable options to purchase 226,000 shares of common stock was \$0.7 million.

*Restricted Stock Units*

Our outstanding restricted stock units (“RSUs”), include time-based RSUs, which vest over differing periods ranging from 12 months up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to growth, earnings-per-share, and/or stock price levels. RSUs granted to members of the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting. At December 31, 2021 and 2020, there were 88,000 and 82,000 vested RSUs, respectively, granted to members of the Board of Directors that had a restriction period.

Restricted stock unit activity for the years ended December 31, 2021 and 2020 is as follows: *(share amounts in thousands, except per share information)*:

	Number of Shares	Weighted-Average Grant Date Fair Value
Units outstanding at January 1, 2020	821	\$ 7.43
Granted	691	5.84
Issued	(301)	8.28
Forfeited	(32)	11.93
<b>Units outstanding at December 31, 2020</b>	<b>1,179</b>	<b>6.18</b>
<b>Granted</b>	<b>364</b>	<b>13.74</b>
<b>Issued</b>	<b>(573)</b>	<b>6.35</b>
<b>Forfeited</b>	<b>(140)</b>	<b>5.72</b>
<b>Units outstanding at December 31, 2021</b>	<b>830</b>	<b>\$ 9.46</b>

During the year ended December 31, 2021, we granted 364,000 RSUs of common stock under the 2012 Incentive Plan to our board, executive officers and other employees, which are composed of both time-based RSUs and share-price performance-based RSUs. The time-based RSUs were granted with a weighted-average grant date fair value \$18.05 per share and vest in 12 monthly installments over a one year period from the grant date or in annual installments over three year period from the grant date. The share-price performance-based RSUs were granted with a weighted-average grant date fair value of \$14.14 per share and vest upon achieving share-price targets over a three year period from the grant date.

During the year ended December 31, 2020, we granted 691,000 RSUs of common stock under the 2012 Incentive Plan to our board, executive officers and other employees, which are composed of both time-based RSUs and share-price performance-based RSUs. The time-based RSUs were granted with a weighted-average grant date fair value of \$7.68 per share and vest in 12 monthly installments over a one year period from the grant date or in annual installments over a three year period from the grant date. The share-price performance-based RSUs were granted with a weighted-average grant date fair value of \$4.51 per share and vest upon achieving share-price targets over a three year period from the grant date with applicable compensation accelerated upon vesting.

Except for share-price performance-based RSUs, RSUs are valued at the market value on the date of grant, which is the grant date share price discounted for expected dividend payments during the vesting period. For RSUs with post-vesting restrictions, a Finnerty Model was utilized to calculate a valuation discount from the market value of common shares reflecting the restriction embedded in the RSUs preventing the sale of the underlying shares over a certain period of time. Using assumptions previously determined for the application of the option pricing model at the valuation date, the Finnerty Model discount for lack of marketability is 12.7 percent for a common share.

Share-price performance-based RSUs were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved. Our assumptions include a performance period of three years, expected volatility between 52.9 percent and 54.7 percent, and a range of risk free rates between 0.3 percent and 0.9 percent.

Share-based compensation expense related to time-based RSUs for the period ended December 31, 2021 and 2020 was approximately \$2.1 million and \$1.9 million, respectively. As of December 31, 2021, and 2020, the unrecognized share-based compensation expense related to the grants described above, excluding incentive awards discussed below, was \$1.6 million and \$1.3 million, respectively. As of December 31, 2021, the remaining compensation expense is expected to be recognized over the weighted-average period of approximately 0.6 years.

Share-based compensation expense related to performance-based RSUs for the years ended December 31, 2021 and 2020, was approximately \$0.5 million and \$0.9 million, respectively. Should we attain all of the metrics related to the performance-based RSU grant, we would recognize up to \$2.3 million of potential share-based compensation expense. We currently expect to recognize an additional \$2.3 million of that potential share-based compensation expense.

As a result of the special dividend, we issued 22,000 time-based RSUs and 26,200 performance-based RSUs that mirror the original grant time and performance-based vesting targets and requirements as dividend equivalents in order to keep the participant's original grant whole. These awards are included in the granted share total in the table above. Because this modification was required under the provisions of our stock incentive plans, no additional share-based compensation expense was recorded.

The number of shares issued upon vesting or exercise for restricted stock units granted, pursuant to our share-based compensation plans, is net of shares withheld to cover the minimum statutory withholding requirements that we pay on behalf of our employees, which was 165,000 and 63,000 shares for the years ended December 31, 2021 and 2020, respectively. Although shares withheld are not issued, they are treated as common share repurchases for accounting purposes, as they reduce the number of shares that would have been issued upon vesting.

## **NOTE 12: EMPLOYEE BENEFIT PLANS**

### **Deferred Compensation Plans**

We sponsor a qualified deferred compensation plan which qualifies under Section 401(k) of the Internal Revenue Code. During 2021, we made matching contributions of 70.0 percent of employee contributions up to a maximum of 5.0 percent of the employee's compensation. Our contributions to the plan vest after a period of three years. During 2021 and 2020, we contributed to the plan \$0.9 million and \$0.9 million, respectively.

We provide a nonqualified deferred compensation plan for our officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus. Although participants direct the investment of these funds, they are classified as trading securities and are included in long-term investment securities on the consolidated balance sheets because they remain our assets until they are actually paid out to the participants. We have established a trust to finance obligations under the plan. At the end of each year and at other times provided under the plan, we adjust our obligation to a participant by the investment return or loss on the funds selected by the participant under rules established in the plan. Upon separation of employment of the participant with the Company, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years (and will continue to be adjusted by the applicable investment return or loss during the period of pay-out). We had deferred compensation plan assets of approximately \$1.0 million and \$1.0 million as of December 31, 2021, and 2020, respectively. The change in the liability associated with the deferred compensation plan is recorded in the deferred compensation payable.

## **NOTE 13: COMMITMENTS AND CONTINGENCIES**

### **Contractual Obligations**

We have entered into long-term agreements with third-parties in the ordinary course of business, in which we have agreed to pay a percentage of net sales in certain regions in which we operate, or royalties on certain products. In 2021 and 2020, the aggregate amounts of these payments were \$26,000 and \$23,000, respectively.

## **Legal Proceedings**

We are party to various legal proceedings. Management cannot predict the ultimate outcome of these proceedings, individually or in the aggregate, or their resulting effect on our business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on our business, financial position, results of operations, or cash flows for the period in which the ruling occurs and/or future periods. We maintain product liability, general liability and excess liability insurance coverage. However, no assurances can be given that such insurance will continue to be available at an acceptable cost to us, that such coverage will be sufficient to cover one or more large claims, or that the insurers will not successfully disclaim coverage as to a pending or future claim.

## **Non-Income Tax Contingencies**

We have reserved for certain state sales and use tax and foreign non-income tax contingencies based on the likelihood of an obligation in accordance with accounting guidance for probable loss contingencies. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. We provide provisions for potential payments of tax to various tax authorities for contingencies related to non-income tax matters, including value-added taxes and sales tax. We provide provisions for U.S. state sales taxes in each of the states where we have nexus. As of December 31, 2021 and 2020, accrued liabilities include \$0.2 million and \$0.2 million related to non-income tax contingencies, respectively. While we believe that the assumptions and estimates used to determine this liability are reasonable, the ultimate outcome of these matters cannot presently be determined. We believe future payments related to these matters could range from \$0 to approximately \$2.6 million.

## **Other Litigation**

We are party to various other legal proceedings in the United States and several foreign jurisdictions related to value-added tax assessments and other civil litigation. We have accrued \$0.5 million related to the estimated outcome of these proceedings as of December 31, 2021. In addition, we are party to other litigation where there is a reasonable possibility that a loss may be incurred, either the losses are not considered to be probable or we cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. We believe future payments related to these matters could range from \$0 to approximately \$0.4 million. During the years ended December 31, 2021 and 2020, we made payments of \$6,000 and \$0, respectively, related to the settlement of litigation.

## **Self-Insurance Liabilities**

Similar to other manufacturers and distributors of products that are ingested, we face an inherent risk of exposure to product liability claims in the event that, among other things, the use of our products results in injury. During 2017, we secured product liability coverage to cover possible claims. Such insurance may not be sufficient to cover one or more large claims, or the insurer may successfully disclaim coverage as to a pending or future claim. As a result, there can be no assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our business prospects, financial position, results of operations or cash flows. Subsequent to obtaining the product liability coverage, we have recorded a reserve which is an estimate of potential costs.

We self-insure for certain employee medical benefits. The recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. The liabilities include amounts for actual claims and claims incurred but not reported. Actual experience, including claim frequency and severity as well as health care inflation, could result in actual liabilities being more or less than the amounts currently recorded.

We review our self-insurance accruals on a quarterly basis and determine, based upon a review of our recent claims history and other factors, which portions of our self-insurance accruals should be considered short-term and long-term. We have accrued \$0.7 million and \$0.7 million for product liability and employee medical claims at December 31, 2021 and 2020, respectively, of which \$0.4 million and \$0.4 million was classified as short-term. Such amounts are included in accrued liabilities and other long-term liabilities on our consolidated balance sheets.

**Government Regulations**

We are subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising, and to our direct selling system. We are also subject to the jurisdiction of numerous foreign tax and customs authorities. Any assertions or determinations that either us or our independent consultants are not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on our operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations, or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on us and our operations. Although we believe that we are in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which we operate, no assurance can be given that our compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on our financial position, results of operations or cash flows.

**NOTE 14: OPERATING BUSINESS SEGMENT AND INTERNATIONAL OPERATION INFORMATION**

We have four business segments (Asia, Europe, North America, and Latin America and Other) based primarily upon the geographic region where each segment operates, as well as the internal organization of our officers and their responsibilities. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy® WorldWide brands. The Latin America and Other segment includes our wholesale business in which we sell products to various locally-managed entities, independent of the Company, that we have granted distribution rights for the relevant market.

Reportable business segment information for the years ended December 31, 2021 and 2020 is as follows (*dollar amounts in thousands*):

Year Ended December 31,	2021	2020
Net sales:		
Asia	\$ 176,860	\$ 138,717
Europe	91,539	77,688
North America	149,746	145,481
Latin America and Other	25,939	23,319
Total net sales	<u>444,084</u>	<u>385,205</u>
Contribution margin (1):		
Asia	89,939	66,801
Europe	30,959	26,014
North America	56,922	50,193
Latin America and Other	10,953	9,771
Total contribution margin	<u>188,773</u>	<u>152,779</u>
Selling, general and administrative (2)	154,103	131,297
Operating income	<u>34,670</u>	<u>21,482</u>
Other income (loss), net	(2,848)	1,339
Income before provision for income taxes	<u>\$ 31,822</u>	<u>\$ 22,821</u>

(1) Contribution margin consists of net sales less cost of sales and volume incentives expense.

(2) Service fees in China totaled \$18.7 million and \$11.7 million for the years ended December 31, 2021 and 2020, respectively. These service fees are included in our selling, general and administrative expenses.

Year Ended December 31,	2021	2020
<b>Capital expenditures:</b>		
Asia	\$ 1,081	\$ 542
Europe	142	34
North America	5,371	4,267
Latin America and Other	72	62
Total capital expenditures	<u>\$ 6,666</u>	<u>\$ 4,905</u>
<b>Depreciation and amortization:</b>		
Asia	\$ 1,825	\$ 1,919
Europe	64	77
North America	9,206	8,673
Latin America and Other	67	74
Total depreciation and amortization	<u>\$ 11,162</u>	<u>\$ 10,743</u>

As of December 31,	2021	2020
<b>Assets:</b>		
Asia	\$ 104,659	\$ 82,572
Europe	15,486	16,398
North America	131,207	142,324
Latin America and Other	7,522	8,204
Total assets	<u>\$ 258,874</u>	<u>\$ 249,498</u>

From an individual country perspective, only the United States and South Korea comprise approximately 10 percent or more of consolidated net sales for the years ended December 31, 2021 and 2020 as follows (*dollar amounts in thousands*):

Year Ended December 31,	2021	2020
<b>Net sales:</b>		
United States	\$ 138,174	\$ 134,976
South Korea	61,107	62,041
Other	244,803	188,188
Total net sales	<u>\$ 444,084</u>	<u>\$ 385,205</u>

Revenue generated by each of our product lines is set forth below (*dollars in thousands*):

Year Ended December 31,	2021	2020
<b>Asia:</b>		
General health	\$ 50,044	\$ 36,445
Immunity	1,599	847
Cardiovascular	48,019	40,496
Digestive	36,069	32,605
Personal care	17,765	10,606
Weight management	23,364	17,718
	<u>176,860</u>	<u>138,717</u>
<b>Europe:</b>		
General health	\$ 40,045	\$ 32,822
Immunity	8,957	8,231
Cardiovascular	11,787	10,863
Digestive	23,142	18,673
Personal care	5,149	4,663
Weight management	2,459	2,436
	<u>91,539</u>	<u>77,688</u>
<b>North America:</b>		
General health	\$ 65,379	\$ 61,897
Immunity	19,563	23,036
Cardiovascular	16,219	15,852
Digestive	37,130	32,851
Personal care	7,579	7,587
Weight management	3,876	4,258
	<u>149,746</u>	<u>145,481</u>
<b>Latin America and Other:</b>		
General health	\$ 7,532	\$ 6,867
Immunity	2,667	3,122
Cardiovascular	2,001	1,512
Digestive	10,291	9,863
Personal care	2,573	1,203
Weight management	875	752
	<u>25,939</u>	<u>23,319</u>
<b>Total net sales</b>	<u>\$ 444,084</u>	<u>\$ 385,205</u>

From an individual country perspective, only the United States comprise 10 percent or more of consolidated property, plant and equipment as follows (*dollar amounts in thousands*):

As of December 31	2021	2020
<b>Property, plant and equipment, net</b>		
United States	\$ 46,595	\$ 50,025
Other	4,262	4,330
<b>Total property, plant and equipment</b>	<u>\$ 50,857</u>	<u>\$ 54,355</u>

**NOTE 15: RELATED PARTY TRANSACTIONS**

Our joint venture in China, owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma, borrowed \$0 from the Company during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020 our joint venture in China held a note payable to the Company of \$1.2 million and \$4.8 million, respectively. Our joint venture in China borrowed \$0 from our joint venture partner, during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, our joint venture in China held a note payable to our joint venture partner of \$0.3 million and \$1.2 million,

respectively. These notes are payable in one year and bear interest of 3.0 percent. The note between the joint venture and the Company eliminates in consolidation.

**NOTE 16: FAIR VALUE**

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values of each financial instrument. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents our hierarchy for assets measured at fair value on a recurring basis as of December 31, 2021 (*dollar amounts in thousands*):

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Restricted investment securities - trading	\$ 964	\$ —	\$ —	\$ 964
Total assets measured at fair value on a recurring basis	\$ 964	\$ —	\$ —	\$ 964

The following table presents our hierarchy for assets measured at fair value on a recurring basis as of December 31, 2020 (*dollar amounts in thousands*):

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Restricted investment securities - trading	\$ 989	\$ —	\$ —	\$ 989
Total assets measured at fair value on a recurring basis	\$ 989	\$ —	\$ —	\$ 989

*Restricted investment securities - trading* — Our trading portfolio consists of various marketable securities that are valued using quoted prices in active markets.

For the years ended December 31, 2021 and 2020, there were no fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

During the years ended December 31, 2021 and 2020, we did not have any re-measurements of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

**NOTE 17: LEASES**

We lease certain retail stores, warehouses, distribution centers, office spaces and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. For leases beginning in 2019 and later, we account for lease components including rent, real estate taxes and insurance costs separately from non-lease components, like common-area maintenance fees. Most of our leases include one or more options to renew, with renewal terms that can extend the lease term for one or more years. The exercise of the lease option to renew is solely at our discretion.

Operating lease costs were approximately \$6.1 million and \$6.6 million for the years ended December 31, 2021 and 2020, respectively. Short-term lease costs were approximately \$0.5 million and \$0.4 million for the years ended December 31, 2021 and 2020, respectively. Operating lease costs were offset by sublease income of \$4,000 and \$0.1 million for the years ended December 31, 2021 and 2020, respectively. Short-term lease costs represent our costs with respect to leases with a duration of 12 months or less and are not reflected on our Consolidated Balance Sheets.



Information related to the Company's operating right-of-use assets and related operating lease liabilities were as follows *(dollar amounts in thousands, except lease term and discount rate)*:

As of December 31,	2021	2020
<b>Assets:</b>		
Operating lease right-of-use assets	\$ 18,349	\$ 20,210
<b>Liabilities:</b>		
Current	4,350	4,992
Long-term	15,919	16,412
Total operating lease liabilities	\$ 20,269	\$ 21,404

Weighted-average remaining lease term	5.7	6.1
Weighted-average discount rate	4.00 %	4.23 %

Year Ended December 31,	2021	2020
Cash paid for operating lease liabilities	\$ 6,257	\$ 5,703
Right-of-use assets obtained in exchange for new operating lease obligations	3,961	1,990
Cancellations or adjustments of leases that resulted in the reduction of lease assets in exchange for lease liabilities	\$ (63)	\$ (1,111)

There were no material operating leases that we have entered into and that were yet to commence as of December 31, 2021.

The approximate aggregate commitments under non-cancelable operating leases in effect at December 31, 2021, were as follows *(dollar amounts in thousands)*:

Year Ending December 31,	
2022	\$ 5,183
2023	4,201
2024	3,703
2025	2,780
2026	2,501
Thereafter	4,611
Total lease payments	\$ 22,979
Less: Imputed interest (1)	2,710
Present value of lease liabilities	\$ 20,269

(1) Calculated using our corporate borrowing rate based on the term of each lease ranging from 3.00 percent to 4.29 percent.

**NOTE 18: SUBSEQUENT EVENTS**

On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is likely. Within our Europe business segment noted in Note 14, we have significant operations in our Russia and Other market which includes Russia, Ukraine, Belarus and other Common Independent States in the region. Net sales in Russia and Other for the years ended December 31, 2021 and 2020, were \$61.4 million and \$51.2 million, respectively. Related operating income for the years ended December 31, 2021 and 2020, was \$5.8 million and \$5.0 million, respectively. As of December 31, 2021, Russia and Other had assets of \$6.8 million which primarily consisted of inventories and accounts receivable. Due to the uncertainty surrounding the duration and magnitude of this conflict, at this time, we are unable to estimate the impact to our business, financial condition or results of operations.

**Item 9. Change In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the “Exchange Act”). See Exhibits 31.1 and 31.2. This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

**Overview**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to management and our board of directors that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with U.S. GAAP. All internal control systems, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management regularly monitors our internal control over financial reporting, and actions are taken to correct any deficiencies as they are identified.

The following discussion sets forth a summary of management’s evaluation of our disclosure controls and procedures as of December 31, 2021. In addition, this item provides a discussion of management’s evaluation of internal control over financial reporting.

Our independent registered public accountants have also issued an audit report on our internal control over financial reporting. This report appears below.

**Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of our Annual Report as of December 31, 2021, management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2021. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2021.

**Management’s Report on Internal Control over Financial Reporting**

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in “*Internal Control—Integrated Framework (2013)*” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management’s assessment under this framework, management has concluded that our internal control over financial reporting was effective as of December 31, 2021. Our internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Nature’s Sunshine Products, Inc.:

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Nature’s Sunshine Products, Inc. and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 8, 2022, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of a new accounting standard.

**Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah  
March 8, 2022

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2021.

**Item 11. Executive Compensation**

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2021.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.**

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table contains information regarding our equity compensation plans as of December 31, 2021:

Plan category	Number of securities to be issued upon exercise or vesting of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	1,003,250 (2)	\$ 12.13 (3)	2,454,218 (4)
Equity compensation plans not approved by security holders	—	N/A	—
Total	1,003,250	\$ 12.13	2,454,218

- (1) The Amended and Restated Nature’s Sunshine Products, Inc. 2012 Incentive Plan. The 2012 Incentive Plan was approved by our shareholders on August 1, 2012. An amendment to the 2012 Incentive Plan was approved by our shareholders on January 14, 2015, to increase the number of shares available for issuance under the 2012 Incentive Plan by 1,500,000. An amendment and restatement of the 2012 Incentive Plan was approved by our shareholders on May 5, 2021, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The terms of this plan are summarized in Note 11, “Capital Transactions,” in Notes to Consolidated Financial Statements in Item 8, Part 2 of this report.
- (2) Consists of 172,611 stock options and 830,639 restricted stock units.
- (3) Excludes the impact of restricted stock units, which are exercised for no consideration.
- (4) Represents the number of shares available for future issuance under the 2012 Incentive Plan .

Other information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2021.

**Item 13. Certain Relationships and Related Transactions and Director Independence**

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2021.

**Item 14. Principal Accountant Fees and Services.**

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2021.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a)(1) List of Financial Statements**

The following are filed as part of this report:

Report of Independent Registered Public Accounting Firm

Consolidated balance sheets as of December 31, 2021 and 2020

Consolidated statements of income for the years ended December 31, 2021 and 2020

Consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2021 and 2020

Consolidated statements of cash flows for the years ended December 31, 2021 and 2020

Notes to consolidated financial statements

**(a)(2) List of Financial Statement Schedules**

Schedule II - Valuation and Qualifying Accounts.

Financial statement schedules other than the one listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto, or contained elsewhere in this report.

**(a)(3) List of Exhibits**

Exhibit Index as seen below

**LIST OF EXHIBITS**

<b>Item No.</b>	<b>Exhibit</b>
3.1(1)	<a href="#">Amended and Restated Articles of Incorporation.</a>
3.2(2)	<a href="#">Amended and Restated Bylaws, dated March 8, 2021.</a>
4.1 (3)	<a href="#">Description of Capital Stock of Nature's Sunshine Products, Inc.</a>
10.1(4)*	<a href="#">Tax Deferred Retirement Plan, Restated January 1, 2012.</a>
10.2(5)*	<a href="#">Supplemental Elective Deferral Plan, as Amended effective as of January 1, 2008.</a>
10.3 (6)*	<a href="#">Form of Award Agreement (2012 Stock Incentive Plan).</a>
10.4 (7)*	<a href="#">Amended and Restated Employment Agreement, dated March 31, 2020, by and between the Company and Joseph W. Baty.</a>
10.5 (15) *	<a href="#">Amended and Restated Employment Agreement, dated March 31, 2020, by and between the Company and Daniel C. Norman.</a>
10.6 (9)*	<a href="#">Executive Agreement, dated September 14, 2018, between the Company and Terrence Moorehead.</a>
10.7 (10)*	<a href="#">Amendment to Executive Agreement, dated October 19, 2018, between the Company and Terrence Moorehead.</a>
10.8 (11)	<a href="#">Stockholder Agreement dated June 26, 2014, between Nature's Sunshine Products, Inc. and Shanghai Fosun Pharmaceutical (Group) Co., Ltd.</a>
10.9 (12)	<a href="#">Amendment to Operating Agreement</a>
10.10 (13)	<a href="#">Operating Agreement dated August 25, 2014, among Nature's Sunshine Products, Inc., Fosun Industrial Co., Limited and Nature's Sunshine Hong Kong Limited.</a>
10.11 (14)	<a href="#">Amended and Restated 2012 Stock Incentive Plan</a>
21(15)	<a href="#">List of Subsidiaries of Registrant.</a>
23.1(15)	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
24.1	<a href="#">Power of Attorney (included on the signature page of this Annual Report on Form 10-K).</a>
31.1(15)	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2(15)	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1(15)	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.</a>
32.2(15)	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

- (1) Previously filed as Exhibit 3.1 to the Annual Report on Form 10-K filed on March 16, 2018, and is incorporated herein by reference.
  - (2) Previously filed as Exhibit 3.2 to the Current Report on Form 8-K filed on March 11, 2021, and is incorporated herein by reference.
  - (3) Previously filed as Exhibit 4.1 to the Annual Report on Form 10-K/A filed on July 9, 2021, and is incorporated herein by reference.
  - (4) Previously filed as Exhibit 10.1 to the Annual Report on Form 10-K filed on March 13, 2015, and is incorporated herein by reference.
  - (5) Previously filed as Exhibit 10.2 to the Annual Report on Form 10-K filed on March 14, 2016, and is incorporated herein by reference.
  - (6) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on January 15, 2015, and is incorporated herein by reference.
  - (7) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on April 7, 2020, and is incorporated herein by reference.
  - (8) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on April 7, 2020, and is incorporated herein by reference.
  - (9) Previously filed as Exhibit 10.3 to the Current Report on Form 8-K filed on September 26, 2018, and is incorporated herein by reference.
  - (10) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on October 24, 2018, and is incorporated herein by reference.
  - (11) Previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed on July 2, 2014, and is incorporated herein by reference.
  - (12) Previously filed as Exhibit 99.1 to the Current Report on Form 8-K filed on August 17, 2021, and is incorporated herein by reference.
  - (13) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 29, 2014, and is incorporated herein by reference.
  - (14) Included as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A file on March 19, 2021, and incorporated herein by reference.
  - (15) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on October 24, 2018, and is incorporated herein by reference.
  - (15) Filed herewith.
- \* Management contract or compensatory plan.

**Item 16. Form 10-K Summary.**

None.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Nature's Sunshine Products, Inc.**Date: **March 8, 2022**

By: /s/ Terrence O. Moorehead  
 Terrence O. Moorehead,  
 Chief Executive Officer (Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Terrence O. Moorehead and Joseph W. Baty, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Terrence O. Moorehead</u> Terrence O. Moorehead	Chief Executive Officer and Director (Principal Executive Officer)	March 8, 2022
<u>/s/ J. Christopher Teets</u> J. Christopher Teets	Chairman of the Board	March 8, 2022
<u>/s/ Joseph W. Baty</u> Joseph W. Baty	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 8, 2022
<u>/s/ Curtis Kopf</u> Curtis Kopf	Director	March 8, 2022
<u>/s/ Robert B. Mercer</u> Robert B. Mercer	Director	March 8, 2022
<u>/s/ Richard D. Moss</u> Richard D. Moss	Director	March 8, 2022
<u>/s/ Tess Roering</u> Tess Roering	Director	March 8, 2022
<u>/s/ Mary Beth Springer</u> Mary Beth Springer	Director	March 8, 2022
<u>/s/ Robert D. Straus</u> Robert D. Straus	Director	March 8, 2022
<u>/s/ Heidi Wissmiller</u> Heidi Wissmiller	Director	March 8, 2022
<u>/s/ Shirley Wu</u> Shirley Wu	Director	March 8, 2022

NATURE'S SUNSHINE PRODUCTS, INC.  
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (Amounts in thousands)

Description	Balance at Beginning of Year	Provisions	Amounts Written Off	Amounts Recovered	Effect of Currency Translation	Balance at End of Year
<b>Year Ended December 31, 2021</b>						
Allowance for doubtful accounts receivable	\$ 454	\$ 4	\$ (264)	\$ (51)	\$ —	\$ 143
Allowance for sales returns	351	1,099	(1,139)	—	69	380
Tax valuation allowance	15,262	(6,510)	—	—	(102)	8,650
<b>Year Ended December 31, 2020</b>						
Allowance for doubtful accounts receivable	\$ 407	\$ 77	\$ (30)	\$ —	\$ —	\$ 454
Allowance for sales returns	298	2,029	(1,989)	—	13	351
Tax valuation allowance	21,388	(6,120)	—	—	(6)	15,262

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “**Agreement**”), is made on this 31st day of March, 2020 (the “**Effective Date**”), by and between Nature’s Sunshine Products, Inc., a Utah corporation, having its principal place of business in Lehi, Utah (the “**Company**” or “**NSP**”) and Daniel C. Norman (“**Executive**”).

This Agreement amends and restates in its entirety the Employment Agreement between the Company and Executive dated December 30, 2008.

### 1. Employment.

1.1 Positions and Duties. Beginning on or before the Effective Date (the “**Date of Employment**”), and continuing until Executive’s employment with the Company is terminated either by the Company or by Executive (the “**Term**”), Executive will be employed by the Company as EVP & President of Asia/Pacific reporting directly to the Chief Executive Officer (“**CEO**”) of the Company. In addition, without additional compensation, if lawfully and reasonably requested by the CEO or the Board of Directors of the Company (the “**Board**”), Executive will serve in other additional officer positions of the Company and its subsidiaries or as an officer, director, manager or equity owner of any affiliate of the Company or any division or branch of the Company.

1.2 Place of Performance. Executive shall perform his services hereunder at the Company’s current principal office in Lehi, Utah, or in another location designated by the Company that is within 50 miles of Lehi, Utah; *provided, however*, that Executive will be required to travel from time to time as reasonably required for business purposes.

### 2. Compensation and Benefits.

2.1 Base Salary. Executive shall receive an annual salary in the amount set forth on Schedule A, paid in accordance with the Company’s payroll practices, as in effect from time to time. Base salary shall be subject to review on at least an annual basis by the CEO. Executive understands that no further compensation will be given for his acting as an officer or shareholder of any Affiliate of the Company or any division or branch of the Company.

2.2 Bonus. Executive shall be eligible to participate in the Company’s executive bonus program (as modified from time to time) or any successor program (the “**EBP**”). The EBP, as currently constituted, provides for additional compensation commensurate with Executive’s responsibilities based upon company and individual performance measures, with an EBP target as set forth on Schedule A and a maximum bonus potential payout equal to the greater of (i) 175% of Executive’s EBP target or (ii) the maximum bonus payout set forth in the EBP as established by the Board for the relevant year. Payment of any bonus under the EBP is in NSP’s sole discretion and such payments will be made in accordance with Internal Revenue Code Section 409A and the Treasury Regulations thereunder (“**Code Section 409A**”) and the terms of the EBP.

2.3 Employee Benefits. Executive will be eligible to participate in retirement/savings, health insurance, term life insurance, long term disability insurance and other employee benefit plans, policies or arrangements maintained by the Company as provided to similarly situated employees and, at the discretion of the Board, in incentive plans, stock option plans and change in control severance plans maintained by the Company for its executives, if any, subject to the terms and conditions of such plans, policies or arrangements. Benefits may be modified by the Company at any time without notice to Executive.

### 3. Indemnification; D&O Insurance.

3.1 Indemnification. To the fullest extent permitted by the laws of the State of Utah in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, the Company shall indemnify Executive if Executive becomes a party to or participant in, or is threatened to be made a party to or participant in, any action or proceeding, whether civil, criminal, judicial, legislative, administrative or investigative, including an action by or in the right of Company to procure a judgment in its favor, and including an action by or in the right of any other corporation, partnership, joint venture, trust,

---

employee benefit plan or other enterprise of any type or kind, domestic or foreign, related to the fact that Executive is or was an officer, director, employee or agent of the Company or any subsidiary of the Company or is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, or by reason of any action or inaction by Executive in any such capacity, whether or not serving in such capacity at the time any loss is incurred for which indemnification can be provided under this Section 3.1 (each an “**Action**”), against all judgments, fines, amounts paid in settlement and all reasonable expenses and costs, including attorneys’ fees, experts’ fees, court costs, transcript costs, travel expenses, and all other costs and expenses incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Action, or in connection with any appeal resulting from any Action, including without limitation costs relating to any bond or its equivalent, and expenses incurred by Executive in connection with the interpretation, enforcement or defense of Executive’s rights under this Agreement, by litigation or otherwise (collectively, “**Expenses**”), incurred or suffered by or imposed upon Executive in connection with any such Action, or in connection with an appeal therein; and provided, however, that no such indemnification shall be required with respect to any settlement or other non-adjudicated disposition of any threatened or pending action or proceeding unless Company has given its prior consent to such settlement or other disposition, which consent shall not be unreasonably withheld, conditioned or delayed. The indemnification requirement of this Section 3.1 is intended to be broadly interpreted and to provide for indemnification to the fullest extent permitted by law and is intended to be in addition to any other rights of indemnification available to Executive under the Company’s articles of incorporation or bylaws or under applicable law.

3.2 Advancement of Expenses. To the fullest extent permitted by the laws of the State of Utah in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted advances, the Company shall, upon request, advance to or promptly reimburse Executive for all Expenses reasonably incurred in defending any such Action in advance of the final disposition of such Action; provided, however, that Executive shall cooperate in good faith with any request by Company that common counsel be utilized by the parties to an Action who are similarly situated unless to do so would be inappropriate due to actual or potential differing interests between or among such parties. As a condition of such advancement, Executive must furnish to the Company (a) a written affirmation of his good faith belief that (i) his conduct was in good faith; and (ii) he reasonably believed that his conduct was in, or not opposed to, the Company’s best interests; and (iii) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful, and (b) a written undertaking, executed personally or on his behalf, to repay the advance if Executive is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent the expenses so advanced or reimbursed by Company exceed the indemnification to which Executive is entitled.

3.3 D&O Insurance. For the duration of Executive’s service as an officer of the Company, and thereafter for so long as Executive is subject to any action for which the Company is obligated to indemnify Executive under Section 3.1 above, the Company will maintain directors’ and officers’ liability insurance commensurate (“**D&O Insurance**”) with industry standard terms and amount but shall in all events which shall in all events be no less protective and extensive in scope and amount to that provided by the Company’s D&O Insurance policies as of the date hereof. The Company’s obligation to advance Expenses under Section 3.2 shall be net of amounts for such Expenses received under D&O Insurance.

#### 4. Expenses.

4.1 Reimbursement of Business Expenses. In accordance with the Company’s normal policies for expense reimbursement, the Company shall reimburse Executive for all reasonable travel, entertainment and other expenses incurred or paid by Executive in connection with, or related to, the performance of Executive’s duties, responsibilities or services under this Agreement, upon presentation of documentation, including expense statements, vouchers and/or such other supporting information as the Company may request.

4.2 Conditions to Reimbursement. Executive must submit proper documentation for each reimbursable expense eligible for reimbursement under Section 4.1 within sixty (60) days after the later of (i) Executive’s incurrence of such expense or (ii) Executive’s receipt of the invoice for such expense. If such expense qualifies hereunder for reimbursement, then the Company will reimburse Executive for that expense within ten (10) business days after Executive’s submission of a request that complies with this Section 4.2, and in all events each reimbursement must be made no later than the end of the calendar year following the calendar year in which the expense was incurred. The amount of reimbursements in any calendar year shall not affect the expenses eligible for

reimbursement in the same or any other calendar year. Executive's right to reimbursement may not be liquidated or exchanged for any other benefit.

5. Termination. Upon cessation of his employment with the Company, Executive will be entitled only to such compensation and benefits as described in this Section 5.

5.1. Termination without Cause or for Good Reason. The Company may terminate Executive's employment at any time without Cause (as defined below), and Executive may resign at any time with Good Reason (as defined below). If Executive's employment by the Company is terminated by the Company without Cause, or if Executive resigns for Good Reason:

5.1.1. the Company shall pay all accrued and unpaid base salary through the date of such termination and reimburse all then unreimbursed expenses properly incurred by Executive pursuant to Section 4;

5.1.2. provided a Release (as defined below) has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company shall pay equal installment payments payable in accordance with the Company's normal payroll practices, but no less frequently than monthly, which are in the aggregate equal to twelve (12) months (the "**Severance Period**") of Executive's base salary for the year in which the termination occurs. The first such payment will be made on the sixtieth (60th) day following Executive's "separation from service" (as such term is defined under Code Section 409A) and the remaining payments will be made in accordance with the Company's normal payroll schedule for salaried employees;

5.1.3. provided a Release has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants (as set forth in Section 6), the Company shall reimburse Executive for the costs he incurs for continuation of Executive's health insurance coverage under COBRA (and for his family members if Executive provided for their coverage during his employment) during the Severance Period and in accord with the NSP group health plans applicable to NSP employees currently in effect. Executive shall, within thirty (30) days after each monthly COBRA payment he pays during the Severance Period for which he is entitled to reimbursement in accordance with the foregoing, submit appropriate evidence of such payment to the Company, and the Company shall reimburse Executive, within ten (10) business days following receipt of such submission. The following provisions shall govern such reimbursement of continuation costs: (i) the amount of the COBRA costs eligible for reimbursement in any one (1) calendar year of coverage will not affect the amount of such costs eligible for reimbursement in any other calendar year for which such reimbursement is to be provided hereunder; (ii) no COBRA costs will be reimbursed after the close of the calendar year following the calendar year in which those costs were incurred; and (iii) Executive's right to the reimbursement of such costs cannot be liquidated or exchanged for any other benefit. In the event the Company's reimbursement of the reimbursable portion of any COBRA payment hereunder results in Executive's recognition of taxable income (whether for federal, state or local income tax purposes), the Company will report such taxable income as taxable W-2 wages and collect the applicable withholding taxes, and Executive will be responsible for the payment of any additional income tax liability resulting from such coverage; and

5.1.4 Executive's bonus for the year in which the employment termination occurs, if any, will be pro-rated based upon the percentage of the year in which Executive was employed and paid by the Company.

For purposes of this Agreement, "**Good Reason**" means

- a. a material reduction in Executive's base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions;
  - b. a material reduction in Executive's target bonus opportunity, or benefits;
  - c. a relocation of Executive's principal place of employment by more than 50 miles;
  - d. any material breach by the Company of a material provision of this Agreement;
  - e. the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in a substantially similar manner and extent that the Company would be
-

- required to perform if no succession had taken place, except where such assumption occurs by operation of law; or
- f. a material, adverse change in Executive's title, authority, duties, or responsibilities (other than temporarily while Executive is physically or mentally incapacitated or as required by applicable law) taking into account the Company's size, status as a public company, and capitalization as of the date of this Agreement;

provided, that in each case Executive must provide the Company with written notice of the events Executive indicates constitutes Good Reason within thirty (30) days after the occurrence of such event. Failure to give such notice within thirty (30) days of the occurrence shall be deemed a waiver by Executive of his right to terminate for Good Reason with respect to such circumstances. If Executive provides such notice, in the case of the circumstances described in clauses (d) and (g) above, the Company thereafter will have thirty (30) days to cure such alleged breach. If a cure period applies and the Company does not cure the alleged breach within the thirty (30) day notice period, Executive must thereafter resign within fifteen (15) days of the expiration of the thirty (30) day notice period in order to resign for Good Reason. If no cure period applies, Executive must thereafter resign within fifteen (15) days of Executive's delivery of notice in order to resign for Good Reason.

5.2. Release and Restrictive Covenants. Notwithstanding any provision of this Agreement, the payments and benefits described in Sections 5.1.2 and 5.1.3 and any other Section that incorporates such payment requirements are conditioned on (a) Executive's execution and delivery in a manner consistent with the requirements of the Older Workers Benefit Protection Act, if applicable, and any applicable state law, to the Company of a release of all claims related to Executive's employment by the Company and the termination thereof (the "**Release**"), and (b) Executive's compliance with the Restrictive Covenants set forth in Section 7 of this Agreement. A breach of the Restrictive Covenants by Executive shall constitute a breach of this Agreement, which shall relieve the Company of any further payment obligation under Sections 5.1.2 and 5.1.3.

5.3. Termination for Cause. The Company may terminate Executive's employment immediately for Cause. If Executive's employment with the Company is terminated by the Company for Cause then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination and reimbursement of all then unreimbursed expenses properly incurred by Executive pursuant to Section 4. To terminate Executive's employment for Cause, the CEO, in consultation with the Board, must determine in good faith that Cause exists, that Executive has been notified of the basis of such determination, and that after any applicable time to cure such Cause has not done so.

"**For Cause**" means the Executive's:

- a. conviction of, or the entry of a plea of guilty or no contest to, a felony or any crime that materially adversely affects the business, standing or reputation of the Company;
- b. engagement in dishonesty, fraud, embezzlement or other misappropriation of funds;
- c. material breach of any material provisions of this Agreement, which breach is not cured within fifteen (15) days after the Company provides written notice to Executive of such material breach; or
- d. willful refusal to perform the lawful and reasonable directives of the CEO or the Board, other than any such failure resulting from Incapacity (as defined below) due to mental or physical illness which failure or refusal is not cured within fifteen (15) days after the Company provides written notice to Executive of such material failure or refusal.

5.4 Resignation by Executive. Executive may resign his employment without Good Reason by giving the Company four weeks' notice of said resignation; NSP may elect to pay Executive's base salary in lieu of notice. If Executive resigns without Good Reason, then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid base salary through the date of such termination and reimbursement of all then unreimbursed expenses properly incurred by Executive pursuant to Section 4.

5.5 Termination upon Death or Incapacity of Executive. Executive's employment hereunder shall terminate automatically upon Executive's death during the Employment Term, and the Company may terminate Executive's employment on account of Executive's Incapacity (as defined below). In the event of termination of Executive's employment by reason of Executive's death or Incapacity, the provisions governing termination without Cause in Section 5.1 above shall apply. "**Incapacity**" shall mean Executive's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities under this Agreement for one hundred eighty

(180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; provided, however, in the event the Company temporarily replaces Executive, or transfers Executive's duties or responsibilities to another individual on account of Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, an Incapacity, then Executive's employment shall not be deemed terminated by the Company and Executive shall not be able to resign with Good Reason as a result thereof. Any question as to the existence of Executive's Incapacity as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Incapacity made in writing to the Company and Executive shall be final and conclusive for all purposes of this Agreement.

**5.6 Termination in Connection with a Change in Control Event.** Provided the Release under Section 5.2 has been executed and become effective and enforceable in accordance with its terms following expiration of the applicable revocation period and Executive complies with the Restrictive Covenants set forth in Section 7, in the event: (i) Executive's employment is terminated for any reason, except for Cause, within eighteen (18) months following the occurrence of a Change in Control Event (as defined below) or in anticipation of a Change in Control Event or (ii) Executive terminates his employment within eighteen (18) months following the occurrence of a Change in Control Event for Good Reason, Executive will be entitled to the amounts set forth in Sections 5.1.1 and 5.1.3 (except that for purposes of Section 5.1.3 the Severance Period shall be eighteen months), and an amount equal to one and one-half times the sum of (i) Executive's target EBP bonus (ii) and Executive's annual base salary at the time of termination. All amounts payable to Executive pursuant to this Section 5.6 shall be paid in a lump sum payment within fifteen (15) days of any applicable revocation period, except as required by Section 12.2 of this Agreement. For purposes of this Agreement, a "**Change in Control Event**" shall mean the occurrence of any one of the following events:

5.6.1. approval by the shareholders of the Company of a plan of complete dissolution or liquidation of the Company; or

5.6.2. consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "**Surviving Corporation**"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "**Parent Corporation**"), is represented by Company Voting Securities (as defined in Section 5.6.4 that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in Section 5.6.5 at the time of the approval by the Board of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "**Non-Qualifying Transaction**"); or

5.6.3. consummation of a sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a subsidiary; or

5.6.4. any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "**Acquiring Person**") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "**Company Voting Securities**"); provided, however, that the event described in this

---

Section 5.6.4 shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in Section 5.6.2; or

5.6.5. during any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board (the “**Incumbent Directors**”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director, provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director.

5.7. Foreign Entities. Without regard to the circumstances of Executive’s termination from employment, Executive hereby also covenants that upon termination, if he is listed as an officer, director, partner, secretary or shareholder on any Affiliate, division or branch of the Company, he will sign over any and all rights to stock (except Company stock and stock rights that Executive holds personally) and/or resign as an officer or director of such entity prior to departure from the Company as required by the law applicable to the entity or by that entity’s procedural requirements.

6. Confidential Information. Executive understands and acknowledges that during the Employment Term, he will have access to and learn about information of any sort (whether merely remembered or embodied in a tangible or intangible form) that is (i) related to the Company or its subsidiaries’ or affiliates’ (including their predecessors) current or potential business and (ii) not generally or publicly known (“**Confidential Information**”). Confidential Information includes, without limitation, information, and data obtained by Executive while employed by the Company and its subsidiaries (or any of their predecessors) or while performing services hereunder concerning the business or affairs of the Company or any of its subsidiaries or affiliates; technical information concerning Company software (including source code and object code), products and services, including product data, specifications, documentation, hardware configuration information, diagrams, flow charts, drawings, test results, formulas, algorithms, processes, inventions, research projects, engineering, and product development; business information, including markets, cost information, profits, sales information, accounting and unpublished financial information, business plans, markets and marketing methods, customer lists (including, but not limited to, customers of the Company on whom Executive called or with whom Executive became acquainted during the term of Executive’s Employment), and customer information (including pricing, preferences, discounts and contracts), purchasing techniques, supplier lists, supplier information (including pricing, preferences, discounts, and contracts) and advertising and business strategies; information about employees, including their compensation, strengths, weaknesses and skills, recruiting strategies and goals and hiring criteria; and other information not generally known to the public, which has independent economic value to the owner or discloser of the information or which, if misused or disclosed, could reasonably be expected to adversely affect the business of the owner or discloser of the information. Confidential Information does not, however, include information that (w) was lawfully in Executive’s possession prior to disclosure of such information by the Company; (x) was, or at any time becomes, available in the public domain other than through a violation of this Agreement; (y) is documented by Executive as having been developed by Executive outside the scope of his rendering services hereunder and independently; or (z) is furnished to Executive by a third party not under an obligation of confidentiality to the Company. Executive agrees that he will not directly or indirectly use or divulge, or permit others to use or divulge, any Confidential Information for any reason, except as authorized in writing by the Company. Executive will be allowed to disclose such information of the Company to the extent that such disclosure is:

(a) duly approved in writing by the Company;

(b) necessary for Executive to enforce his rights under this Agreement in connection with a legal proceeding;

---



(c) required by law or by the order of a court or similar judicial or administrative body, provided that Executive notifies the Company of such required disclosure promptly and reasonably cooperates with the Company in any lawful action to contest or limit the scope of such required disclosure; or

(d) to report possible violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of the Company to make any such reports or disclosures and he is not required to notify the Company that he has made such reports or disclosures.

Executive's obligations under this Agreement are in addition to any obligations he has under state or federal law. Executive agrees that he will not violate in any way the rights that the Company has with regard to trade secrets or Confidential Information. Executive's obligations under this Section 6 are indefinite in term.

7. Restrictive Covenants. In consideration of the compensation and other benefits provided to Executive pursuant to this Agreement, Executive agrees to be bound by the provisions of this Section 7 (the "**Restrictive Covenants**"). These Restrictive Covenants will apply without regard to whether any termination or cessation of Executive's employment is initiated by the Company or Executive, and without regard to the reason for that termination or cessation.

7.1. Covenant Not To Compete. Executive covenants and agrees that, during his employment by the Company and for a period of twelve (12) months following immediately thereafter (the "**Restricted Period**"), Executive will not, anywhere within the territory where the Company did business during Executive's employment do any of the following, directly or indirectly:

7.1.1. own, manage, operate, control, serve as a consultant to, be employed by, participate in, or be connected, in any manner, with the ownership, management, operation or control of any business that distributes its product through a multilevel marketing program or that engages in any activity that competes with any activity in which the Company is then engaged, including sales or distribution of herbs, vitamins or nutritional supplements or any other product which the Company sells or distributes at the time of Executive's termination (a "**Competing Business**");

Notwithstanding Executive's obligations under this Section 7.1, Executive will be entitled to own, as a passive investor, up to two percent (2%) of any publicly traded company without violating this provision.

7.2. Covenant Not to Solicit. During the Restricted Period, Executive covenants and agrees that he will not do any of the following, directly or indirectly:

7.2.1. solicit or attempt to solicit any employee or agent of the Company or any of its affiliates to alter or terminate their employment with the Company or hire or offer to hire any employee or agent of the Company or any of its affiliates;

7.2.2. solicit or attempt to solicit any distributor or wholesale customer of the Company to alter or discontinue its relationship with the Company; or

7.2.3. solicit or attempt to persuade any supplier or vendor of the Company to alter or discontinue its relationship with the Company.

7.3 Acknowledgements. The Company and Executive agree that (a) the Restrictive Covenants do not impose an undue hardship on Executive and are reasonably necessary to protect the business of the Company and its Affiliates; (b) the nature of Executive's responsibilities with the Company under this Agreement require him to have access to Confidential Information which is valuable and confidential to the Company; (c) the scope of the Restrictive Covenants is reasonable in terms of length of time and geographic scope; and (d) adequate consideration supports the Restrictive Covenants, including the provisions of this Agreement.

---

## 8. Property of the Company.

8.1. Proprietary Information. All right, title and interest in and to Proprietary Information (as defined below) will be and remain the sole and exclusive property of the Company. Executive will not remove from the Company's offices or premises any documents, records, notebooks, files, correspondence, reports, memoranda or similar materials of or containing Proprietary Information, or other materials or property of any kind belonging to the Company unless necessary or appropriate in the performance of Executive's duties to the Company. If Executive removes such materials or property in the performance of Executive's duties, Executive will return such materials or property promptly after the removal has served its purpose. Executive will not make, retain, remove and/or distribute any copies of any such materials or property, or divulge to any third person the nature of and/or contents of such materials or property, except to the extent necessary to perform Executive's duties on behalf of the Company. Upon termination of Executive's employment with the Company, Executive will leave with the Company or promptly return to the Company all originals and copies of such materials or property then in Executive's possession, custody, or control.

8.2. **"Proprietary Information"** means any and all proprietary information developed or acquired by the Company that has not been specifically authorized to be disclosed. Such Proprietary Information shall include, but shall not be limited to, the following items and information relating to the following items: (a) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications) as well as all inventions (whether patentable or unpatentable and whether or not reduced to practice) and all improvements thereto, (b) computer codes and instructions, processing systems and techniques, inputs, and outputs (regardless of the media on which stored or located) and hardware and software configurations, designs, architecture and interfaces, (c) business research, studies, procedures and costs, (d) financial data, (e) distributor network information, the identities of actual and prospective distributors and distribution methods, (f) marketing data, methods, plans and efforts, (g) the identities of actual and prospective suppliers, (h) the terms of contracts and agreements with, the needs and requirements of and the Company's course of dealing with, actual or prospective suppliers, (i) personnel information, (j) customer and vendor credit information, and (k) information received from third parties subject to obligations of nondisclosure or non-use. Failure by the Company to mark any of the Proprietary Information as confidential or proprietary shall not affect its status as Proprietary Information.

8.3. Intellectual Property. Executive agrees that all the Intellectual Property (as defined below) will be considered "works made for hire" as that term is defined in Section 101 of the Copyright Act (17 U.S.C. § 101) and that all right, title and interest in such Intellectual Property will be the sole and exclusive property of the Company. To the extent that any of the Intellectual Property may not by law be considered a work made for hire, or to the extent that, notwithstanding the foregoing, Executive retains any interest in the Intellectual Property, Executive hereby irrevocably assigns and transfers to the Company any and all right, title, or interest that Executive may now or in the future have in the Intellectual Property under patent, copyright, trade secret, trademark or other law, in perpetuity or for the longest period otherwise permitted by law, without the necessity of further consideration. The Company will be entitled to obtain and hold in its own name all copyrights, patents, trade secrets, trademarks and other similar registrations with respect to such Intellectual Property. Executive further agrees to execute any and all documents and provide any further cooperation or assistance reasonably required by the Company to perfect, maintain or otherwise protect its rights in the Intellectual Property, at no cost to Executive. If the Company is unable after reasonable efforts to secure Executive's signature, cooperation or assistance in accordance with the preceding sentence, whether because of Executive's incapacity or any other reason whatsoever, Executive hereby designates and appoints the Company or its designee as Executive's agent and attorney-in-fact to act on his behalf solely for the purpose of executing and filing documents and doing all other lawfully permitted acts necessary or desirable to perfect, maintain or otherwise protect the Company's rights in the Intellectual Property. Executive acknowledges and agrees that such appointment is coupled with an interest and is therefore irrevocable. Notwithstanding the foregoing, nothing in this Agreement shall be construed to require Executive to assign or license to the Company any right in or to an invention that (a) is created by Executive entirely on Executive's own time; and (b) is not an Employment Invention. An **"Employment Invention"** means any invention or part thereof conceived, developed, reduced to practice, or created by Executive which is (a) conceived, developed, reduced to practice, or created by Executive: (i) within the scope of Executive's employment; (ii) on the Company's time; or (iii) with the aid, assistance, or use of any of the Company's property, equipment, facilities, supplies, resources, or intellectual property; (b) the result of any work, services, or duties performed by Executive for the Company; (c)

---

related to the industry or trade of the Company; or (d) related to the current or demonstrably anticipated business, research, or development of the Company.

8.3.1. “**Intellectual Property**” means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents and patent applications claiming such inventions, (b) all trademarks, service marks, trade dress, logos, trade names, fictitious names, brand names, brand marks and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (d) all mask works and all applications, registrations, and renewals in connection therewith, (e) all trade secrets (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, methodologies, technical data, designs, drawings and specifications), (f) all computer software (including data, source and object codes and related documentation), (g) all other proprietary rights and (h) all copies and tangible embodiments thereof (in whatever form or medium) which, in the case of any or all of the foregoing, pertains to an Employment Invention.

9. Acknowledgements. Executive acknowledges that the nature of Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Company. Executive understands and acknowledges that the services he provides to the Company are unique, special or extraordinary. Executive further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by Executive is likely to result in unfair or unlawful competitive activity.

Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Company's rights under Section 6, Section 7 and Section 8 of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of Section 6, Section 7 and Section 8 of this Agreement or the Company's enforcement thereof.

#### 10. Remedies and Enforcement Upon Breach.

10.1. Injunctive Relief. In the event of a breach or threatened breach by Executive of Section 6, Section 7 and Section 8 of this Agreement, Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

10.2. Disclosure of Restrictive Covenants. Executive agrees fully and completely to disclose the existence and terms of this Agreement to any future employer or potential employer of Executive and authorizes the Company, at its election, to make such disclosure.

10.3. Extension and Termination of Restricted Period. If Executive breaches Section 7 in any respect, the restrictions contained in that section will be extended for a period equal to the period that Executive was in breach.

#### 11. Miscellaneous.

11.1. Other Agreements. Executive represents and warrants to the Company that there are no restrictions, agreements or understandings whatsoever to which Executive is a party that would prevent or make unlawful his execution of this Agreement, that would be inconsistent or in conflict with this Agreement or Executive's obligations hereunder, or that would otherwise prevent, limit or impair the performance of Executive's duties under this Agreement.

---

11.2. Successors and Assigns. This Agreement shall be binding upon any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, and the Company shall require any such successor to expressly assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, or, in the event the Company remains in existence, the Company shall continue to employ Executive under the terms hereof. As used in this Agreement, the term "Company" shall mean and include the Company and any successor to its business and/or assets, which assumes or is obligated to perform this Agreement by contract, operation of law or otherwise. This Agreement shall inure to the benefit of and be enforceable by Executive and his personal or legal representatives, executors, estate, trustee, administrators, successors, heirs, distributees, devisees and legatees. The duties of Executive hereunder are personal to Executive and may not be assigned by him. If Executive dies and any amounts become payable under this Agreement, the Company will pay those amounts to his estate.

11.3. Governing Law and Enforcement; Disputes. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF UTAH, APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE. ANY DISPUTE ARISING OUT OF THIS AGREEMENT, OR THE BREACH THEREOF, SHALL BE BROUGHT IN A COURT OF COMPETENT JURISDICTION IN SALT LAKE COUNTY, THE STATE OF UTAH, THE PARTIES EXPRESSLY CONSENTING TO VENUE IN IN SALT LAKE COUNTY, THE STATE OF UTAH. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

11.4. Waivers. The waiver by either party of any right hereunder or of any breach by the other party will not be deemed a waiver of any other right hereunder or of any other breach by the other party. No waiver will be deemed to have occurred unless set forth in writing. No waiver will constitute a continuing waiver unless specifically stated, and any waiver will operate only as to the specific term or condition waived.

11.5. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. However, if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision, and this Agreement will be reformed, construed and enforced as though the invalid, illegal or unenforceable provision had never been herein contained.

11.6. Survival. Sections 3, 4, 5, 6, 7, 8, 10 and 11 of this Agreement will survive termination of this Agreement and/or the cessation of Executive's employment by the Company.

11.7. Notices. Any notice or communication required or permitted under this Agreement shall be made in writing and shall be sufficient if personally delivered or sent by overnight delivery or by registered or certified mail and addressed, if to Executive, to Executive's address set forth in NSP's records, or if to NSP, to its principal office, to the attention of the CEO. Such notice shall be deemed given when delivered if delivered personally, or, if sent by registered or certified mail, at the earlier of actual receipt or three days after mailing in United States mail, addressed as aforesaid with postage prepaid.

11.8. Entire Agreement; Amendments. This Agreement, the attached exhibits, the Plan, and the RSU Agreement contain the entire agreement and understanding of the parties hereto relating to the subject matter hereof; and merge and supersede all prior and contemporaneous discussions, agreements and understandings of every nature relating to Executive's employment or engagement with, or compensation by, the Company and any of its affiliates or subsidiaries or any of their predecessors. This Agreement may not be changed or modified, except by an agreement in writing signed by each of the parties hereto.

11.9. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

---

11.10. Section Headings. The headings of sections and paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.11. Counterparts; Facsimile. This Agreement may be executed in multiple counterparts (including by facsimile signature), each of which will be deemed to be an original, but all of which together will constitute one and the same instrument.

11.12. Third Party Beneficiaries. This Agreement will be binding on, inure to the benefit of and be enforceable by the parties and their respective heirs, personal representatives, successors and assigns. This Agreement does not confer any rights, remedies, obligations or liabilities to any entity or person other than Executive and the Company and Executive's and the Company's permitted successors and assigns.

11.13. Acknowledgment of Full Understanding. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

11.14. Section 409A. The parties intend that the provisions of this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (collectively, "Section 409A") and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding the foregoing, nothing in the Agreement shall be interpreted or construed to transfer any liability for any tax (including a tax or penalty due as a result of a failure to comply with Section 409A) from Employee to the Company or to any other individual or entity. A termination of employment shall not be deemed to have occurred for purposes of any provision of the Agreement providing for the payment of any amounts or benefits upon or following a termination for employment unless such termination also constitutes a "Separation from Service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, refers to a "termination," "termination of employment," "separation from service" or like terms shall mean Separation from Service. Each installment payment required under this Agreement shall be considered a separate payment for purposes of Section 409A. If, upon separation from service, Executive is a "specified employee" within the meaning of Section 409A, any payment under this Agreement that is subject to Section 409A and would otherwise be paid within six (6) months after Executive's separation from service will instead be paid in the seventh month following Executive's separation from service (to the extent required by Section 409A(a)(2)(B)(i)).

11.15. Protected Activity Not Prohibited. Executive understands that nothing in this Agreement shall in any way limit or prohibit Executive from engaging in any Protected Activity. For purposes of this Agreement, "**Protected Activity**" shall mean filing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("**Government Agencies**"). Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information to any parties other than the Government Agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications. In addition, pursuant to the Defend Trade Secrets Act of 2016, Executive is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

---

11.16. 280G. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment, distribution, or other action by the Company to or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of the Agreement or otherwise (a "**Parachute Payment**"), would result in an "excess parachute payment" within the meaning of Section 280G(b)(i) of the Code, and the value determined in accordance with Section 280G(d)(4) of the Code of the Parachute Payments, net of all taxes imposed on Executive (the "**Net After-Tax Amount**") that Executive would receive would be increased if the Parachute Payments were reduced, then the Parachute Payments shall be reduced by an amount (the "**Reduction Amount**") so that the Net After-Tax Amount after such reduction is greatest. For purposes of determining the Net After-Tax Amount, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Parachute Payment is to be made, and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Parachute Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Subject to the provisions of this Section 11.16, all determinations required to be made under this Section 11.16, including the Net After-Tax Amount, the Reduction Amount and the Parachute Payments that are to be reduced pursuant to this Section 11.16 and the assumptions to be utilized in arriving at such determinations, shall be made by an independent public accounting firm selected by Executive (the "**Accounting Firm**"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Parachute Payment, or such earlier time as is requested by Executive. The Accounting Firm's decision as to which Parachute Payments are to be reduced shall be made (a) only from Parachute Payments that the Accounting Firm determines reasonably may be characterized as "parachute payments" under Section 280G of the Code; (b) only from Parachute Payments that are required to be made in cash; (c) only with respect to any amounts that are not payable pursuant to a "nonqualified deferred compensation plan" subject to Code Section 409A of the Code, until those payments have been reduced to zero; and (d) in reverse chronological order, to the extent that any Parachute Payments subject to reduction are made over time (e.g., in installments). In no event, however, shall any Parachute Payments be reduced if and to the extent such reduction would cause a violation of Code Section 409A or other applicable law. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and Executive.

11.17. Expenses. The Company shall reimburse Executive up to \$10,000 for Executive's expenses incurred in connection with the negotiation and drafting of this Agreement, including without limitation, the fees and costs of Executive's legal counsel.

*[This space left blank intentionally; signature page follows]*

NATURE'S SUNSHINE PRODUCTS, INC.

By: /s/ Terrence Moorehead

Title: Chief Executive Officer

Daniel C. Norman

/s/ Daniel C. Norman

---

**Schedule A**

**Amended and Restated Employment Agreement**

**Annual Salary:** \$278,100

**EBP Target:** 55% of annual base salary

Employee Initials: /s/ DN

## SUBSIDIARIES

Set forth below is a list of all active subsidiaries of the Registrant and the state or other jurisdiction of incorporation or organization of each. Each subsidiary listed below is doing business under its corporate name.

Subsidiary	Jurisdiction
NATR Distribution (M) SDN. BHD.	Malaysia
Nature's Sunshine (Far East) Limited	Hong Kong
Nature's Sunshine Hong Kong Limited	Hong Kong
Nature's Sunshine Marketing Ltda.	Brazil
Nature's Sunshine Products de Honduras, S.A. de C.V.	Honduras
Nature's Sunshine Products de Nicaragua, S.A.	Nicaragua
Nature's Sunshine Products de Panamá, S.A.	Panama
Nature's Sunshine Products del Ecuador, S.A.	Ecuador
Nature's Sunshine Products Dominicana, S. R.L.	Dominican Republic
Nature's Sunshine Products International Distribution B.V.	Netherlands
Nature's Sunshine Products of Russia, Inc.	Utah
Nature's Sunshine Products Poland sp. z.o.o.	Poland
Nature's Sunshine (Hangzhou) Limited	China
Nature's Sunshine Products (Israel) Ltd.	Israel
Nature's Sunshine Products de Colombia, S.A.	Colombia
Nature's Sunshine Products de El Salvador, S.A. C.V.	El Salvador
Nature's Sunshine Products de Mexico, S.A. de C.V.	Mexico
Nature's Sunshine Products de Venezuela, C.A.	Venezuela
Nature's Sunshine Products of Canada, Ltd.	Canada
Nature's Sunshine Produtos Naturais Ltda.	Brazil
NSP de Centroamérica, S.A	Costa Rica
NSP de Guatemala, S.A.	Guatemala
NSP International Holdings C.V.	Netherlands
NSP Labs Inc	Utah
PT Nature's Sunshine Products Indonesia	Indonesia
PT Synergy WorldWide Indonesia	Indonesia
Qemp Inc	Utah
Quality Nutrition International, LLC	Utah
Shanghai Nature's Sunshine Health Products Trading Co. Ltd.	China
Synergy (Shanghai) Food Co., Ltd.	China
Synergy Taiwan, Inc.	Utah
Synergy Vietnam Co., Ltd.	Vietnam
Synergy Worldwide (HK) Ltd.	Hong Kong
Synergy Worldwide (S) PTE Ltd.	Singapore
Synergy Worldwide Canada B.V.	Netherlands
Synergy Worldwide Distribution Canada, ULC	Canada
Synergy WorldWide Europe B.V.	Netherlands
Synergy Worldwide Europe Management Services Spain S.L.U.	Spain
Synergy Worldwide Inc.	Utah
Synergy Worldwide Italy S.R.L.	Italy
Synergy Worldwide Japan G.K.	Japan
Synergy Worldwide Korea Ltd.	Korea
Synergy WorldWide Marketing (M) SDN BHD.	Malaysia
Synergy Worldwide Marketing (Thailand) Ltd.	Thailand



Synergy Worldwide Nutrition Israel Ltd.	Israel
Synergy WorldWide Nutrition Products (Hong Kong)	Hong Kong
Synergy WorldWide Philippines Distribution, Inc.	Philippines
Synergy Worldwide Switzerland GmbH	Switzerland
Synergy Worldwide UK Ltd	United Kingdom
Impact Foundation	Utah

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 033-59497, 333-08139, 333-117916, 333-126166, 333-164054, 333-189116, and 333-259095 on Forms S-8 of our reports dated March 8, 2022, relating to the financial statements and financial statement schedule of Nature's Sunshine Products, Inc. and the effectiveness of Nature's Sunshine Products, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Nature's Sunshine Products, Inc. for the year ended December 31, 2021.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah  
March 8, 2022

## CERTIFICATIONS

I, Terrence O. Moorehead, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Nature's Sunshine Products, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Terrence O. Moorehead

Chief Executive Officer

March 8, 2022

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Joseph W. Baty, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Nature's Sunshine Products, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph W. Baty

Executive Vice President, Chief Financial Officer and Treasurer

March 8, 2022

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF

NATURE'S SUNSHINE PRODUCTS, INC.  
PURSUANT TO 18 U.S.C. § 1350

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrence O. Moorehead, Chief Executive Officer of the Company, hereby certify that, pursuant to the 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Terrence O. Moorehead

Terrence O. Moorehead

Chief Executive Officer

March 8, 2022

**CERTIFICATION OF CHIEF FINANCIAL OFFICER OF**

**NATURE'S SUNSHINE PRODUCTS, INC.  
PURSUANT TO 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph W. Baty, Executive Vice President, Chief Financial Officer and Treasurer of Nature's Sunshine Products, Inc. (the "Company"), hereby certify that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Joseph W. Baty

Joseph W. Baty

Executive Vice President, Chief Financial Officer and Treasurer

March 8, 2022