



VAALCO Energy, Inc.

Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy

Amended and Restated, December 3, 2015

Purpose

This Compliance Policy is designed to ensure that VAALCO's directors, officers, employees and agents understand the general requirements of the United States Foreign Corrupt Practices Act ("FCPA" or the "Act") and VAALCO's corporate policy to fully comply with the FCPA and all anti-bribery legislation wherever VAALCO conducts business. For purposes of this Policy, VAALCO's agents can include third party agents, representatives, consultants, contractors, distributors, joint-venture partners, and all other persons who purport to act on behalf of and with authority granted by VAALCO.

This Compliance Policy is intended to serve as a preventive tool to assist directors, officers, employees and agents in recognizing and avoiding potential violations of the FCPA and other anti-bribery laws. Each Director, employee, officer, and agent is responsible for implementing this Policy and for complying with the requirements of the FCPA and other anti-bribery laws that apply to the activities of the Company.

Compliance with the Company's FCPA and Anti-Bribery Policy is just one of many requirements for conducting business with the highest ethical, legal and professional standards. Adherence to this and other company policies is integral to VAALCO's business reputation and financial success. Therefore, Company directors, officers, employees and agents have an affirmative obligation to become familiar with, and to abide by, the policies set forth in and the laws described in this Policy.

Any director, officer, employee or agent who fails to comply with these standards may be subject to appropriate action, up to and including **termination**. Directors, officers, employees and agents should also be aware of the significant risk of **criminal prosecution** and **civil fines and penalties** for violation of the FCPA and other anti-bribery laws.

If directors, officers, employees and agents have any questions or concerns regarding activities under consideration or the interpretation of the law, they are required to seek clarification from VAALCO's General Counsel.

Background of FCPA

The FCPA was enacted in 1977 and prohibits the payment of bribes to foreign officials for the purpose of obtaining or retaining business. The FCPA can apply to prohibited conduct anywhere in the world and extends to publicly traded companies and their officers, directors, employees, stockholders, and agents wherever located. The requirements of the FCPA can be divided into two primary areas:



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1. Anti-Bribery Provisions; and
2. Accounting and recordkeeping requirements.

Anti-Bribery Provision

Under the Anti-Bribery provision of the FCPA, it is unlawful for any U.S. person or company to directly or indirectly pay or promise anything of value to any foreign official to “obtain or retain business” or to “secure any other improper advantage.”

Key Terms of the Anti-Bribery Provision

The FCPA is a U.S. criminal and civil statute that prohibits and penalizes improper payments to foreign government officials, political parties and candidates for political office, and employees of international organizations, to obtain or retain business in a foreign country, or to direct business to any person. The FCPA prohibits a U.S. company and its officers, directors, employees or agents from offering, giving, paying, promising, or authorizing the payment, directly or indirectly through a third party, **of anything of value** to any "**foreign official**" (a term that is very broadly defined, as discussed further below) to persuade that official to help the Company, or any other person, obtain, maintain and/or provide an unfair competitive advantage for U.S. business dealings in foreign countries.

In short, the FCPA prohibits the offer, promise, authorization, or payment of a bribe or “anything of value” to a “foreign official” in order to secure improper influence of official actions. This prohibition is very broad, and covers: (1) cash payments; (2) non-cash payments, benefits and favors; and (3) in certain circumstances, otherwise legitimate business expenditures such as gifts, entertainment, and hosted travel or training. The FCPA prohibits these payments whether they are made directly or indirectly through third parties, such as consultants, agents, contractors and joint venture partners.

1. Anything of Value

Requests by foreign officials can be subtle and may not involve a direct request for a bribe. The term “anything of value” is intentionally broad and will include anything of pecuniary value such as:

- a. Cash or cash equivalents such as pre-paid cards or securities,
- b. Gifts of more than a nominal value,
- c. Services,
- d. Travel, meals, lodging, shopping or entertainment expenses (with the exception of actual and reasonable reimbursements for travel associated with business),
- e. Medical, educational or living expenses,
- f. Assumption or forgiveness of debt,
- g. Contributions to a favorite charity, or



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- h. Contracts or other business opportunities awarded to a family member of a foreign official or a company in which a foreign official holds an interest.

Notwithstanding the foregoing, items that are not included in the term “anything of value” are items of nominal value that are imprinted with the VAALCO logo (i.e., pens, coffee mugs, etc.).

As a practical matter, past enforcement actions have shown that the FCPA’s prohibition against improper payments to “obtain or retain business” or to “secure any other improper advantage” **covers virtually any improper payment** made in a business context. For example, VAALCO employees and agents must not pay or give things of value to foreign officials, directly or indirectly:

- a. To prevent some governmental action, such as the imposition of a large tax or fine;
- b. To obtain a license or other authorization from a government where the issuance involves the foreign official’s or his/her government’s discretion;
- c. To influence the rate of taxes that would be levied on the Company’s business;
- d. To prevent closure of operations or locations;
- e. To obtain relief from government controls;
- f. To influence the award of a new contract or retention of an existing contract;
- g. To obtain confidential information including information concerning a bidding process or other bidders; and
- h. To secure any improper advantage.

2. Direct or Indirect Liability

The FCPA establishes liability for payments made indirectly to an official (*e.g.*, through a family member or an affiliated entity), as well as payments made directly to the official.

The Company may also be liable under the FCPA for improper payments that it makes to a foreign official itself, or that are made on VAALCO’s behalf (*e.g.*, by an agent.) VAALCO is responsible for the acts of its agents where the Company knew or should reasonably have known of their unlawful actions. The Company and individual directors, officers, managers or employees may be liable for a payment made through a subsidiary or country manager or by a third-party, such as an agent, or consultant, and in some cases resellers and prime contractors - parties which themselves may not be subject to the FCPA. Liability will be found if the Company makes a payment or transfers anything of value to that third party “knowing” that it will be passed through to a government official.

The FCPA's definition of “knowing” goes beyond actual knowledge. A belief that the third-party will pass through all or part of the value received from the Company to a government official, or an awareness of facts that create a “high probability” of such a pass-through, constitute knowledge under the FCPA. Likewise, liability may be imposed when the Company turns a “blind eye” to indications that violations may have occurred.



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Essentially, if VAALCO directors, officers, or employees show willful blindness toward, deliberate ignorance of, or a conscious disregard of suspicious actions or circumstances, the company may be deemed to have knowledge of those transactions. VAALCO employees have a duty to inquire where circumstances indicate that an agent may have acted or will act unlawfully. Specifically, directors, officers, and employees should be alert to any “red flags” that may be encountered in transactions involving third parties.



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Due Diligence Procedures for Agents, Consultants and Joint Ventures:

As part of VAALCO's efforts to comply with the FCPA, every prospective agent must go through the due diligence steps identified below. Specifically, VAALCO will:

1. Require that all contracts with agents include, among other things, the following provisions:
 - a. The agent's obligation and agreement to strictly comply with the FCPA;
 - b. The agent's obligation and agreement to maintain separate and accurate books and records; and
 - c. The Company's right to audit the agent's books and records, including documents pertaining to the agent's interaction with the government on behalf of VAALCO. It should also include VAALCO's rights to audit the books and records of any subcontractors hired by the agent.
2. Perform a background check on each prospective agent, particularly in high-risk Target Countries as identified on the Transparency International website at www.transparency.org.
3. Confirm that any relationship between the agent or the agent's family and a political party or foreign official is permissible under local law.
4. Document the rationale for the rate of commission (if any) to be paid to the agent and the basis for believing the compensation is reasonable.
5. Include an explanation of the services that will be provided by the agent.
6. Conduct an in-person interview with the prospective agent and explain VAALCO's expectations and anti-bribery policies.
7. Verify the information the agent provides on background questionnaires (the form of which may be obtained from the General Counsel) and other forms submitted with the application.
8. Require regular certificates of compliance from the agent stating an understanding of the applicable anti-bribery laws and compliance with both the Company's policies and such applicable laws.
9. Compile, document and preserve the information collected during the selection process of the agent. At a minimum, this information should include the following details about the agent:
 - a. Background checks and the results of any verification of the agent's background questionnaire;



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- b. Experience, skills, and services to be provided;
 - c. Business reputation, especially with other U.S. companies;
 - d. Compensation information;
 - e. Resolution of red flags (if any) uncovered during the diligence process;
 - f. The relationship of the agent and the agent's family to any political parties, candidates, foreign officials or entities; and
 - g. All contract undertakings to comply with the anti-bribery laws and Company policies and all periodic certificates of compliance.
10. Maintain and update the agent's due diligence file with any new information gained during periodic reviews of the relationship, if any.
11. Require recertification of compliance by agents at least every two years.

It will be the primary obligation of the officer or employee who contracts with the agent or signs such contract on behalf of the Company to ensure that each of the due diligence steps is completed and that due diligence files are maintained and updated regularly. Further, any manager reviewing or approving such contract must take reasonable steps to confirm that the due diligence process has been appropriately completed.

Company directors, officers, employees and agents should bear in mind that the SEC and the Justice Department may apply strict liability to Company directors, officers, employees and agents who have responsibility for managing other employees or agents. Thus, even if a manager did not have actual knowledge of a violation, if the manager should have known (based on his or her management of the organization or employees) of a violation, the Company and the manager may be held liable for a violation of the FCPA.

3. Foreign Official

The FCPA applies to interactions with "foreign officials." For purposes of this Policy, a "foreign official" or "government official" means:

- a. Officers and employees of government departments, ministries, and agencies (e.g., customs agents, police officers, military personnel, tax authorities),
- b. Officers and employees of companies that are owned (or partially owned) or controlled by a government entity. (For example, in many countries energy companies, telecommunications companies, and medical services providers are owned in whole or in part by the government.),
- c. Elected and appointed government officials (whether paid or unpaid and at any level, including city, state, and national governments),
- d. Political candidates,



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- e. Political parties and their officials, and
- f. Employees of public international organizations (e.g. the United Nations, the International Monetary Fund, the World Trade Organization).

Thus, foreign officials include not only elected officials, but also consultants who hold government positions. Additionally, the term foreign official includes “instrumentalities” of a government which includes state-owned or controlled energy companies. Employees of these companies, even if not considered government employees within their own country, are considered government employees for purposes of the FCPA.

Under this policy, “foreign officials” also include spouses and other immediate family members of foreign officials. Enforcement officials will treat payments to dependents of officials the same as payments directly to the officials themselves. Payments to other relatives and state owned entities must also be scrutinized in advance, and safeguards imposed, to protect against the risk that the relatives could act as conduits to the official.

VAALCO’s General Counsel should be contacted if there is any question as to whether a person or organization is a “foreign official.”

Defenses and Exceptions under the FCPA

The FCPA permits payments to government officials under certain, very limited circumstances. They include the following:

1. Payments permitted by a Written Law. Under the FCPA, a lawful payment is permitted when the written law of the foreign country allows it. For example, local law may specifically authorize political contributions. Due to the complexities surrounding a foreign country’s local law, VAALCO employees and agents must obtain the **prior written consent** of the General Counsel before making any payment relying on a Written Law.
2. Facilitating, Expediting or “Grease” Payment. Facilitating payments are small payments to low level employees in order to obtain **non-discretionary, routine** governmental action. Examples of such payment are:
 - a. Permits, Licenses or other documents
 - b. Processing visas or work orders
 - c. Mail pickup, police or fire protection
 - d. Telephone, power or water service
 - e. Goods in Transit

VAALCO’s policy is that it does not pay bribes of any type, even facilitating payments. Any other facilitating payments may only be made if **approved in advance**



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by the General Counsel and only where it can be demonstrated that: (1) the payment is clearly and unequivocally for a clerical non-discretionary activity; (2) the payment is intended to expedite or secure a service or action that the Company is otherwise entitled to, and that the government employee ordinarily performs; and (3) the payment for the particular action is unequivocally customary and expected in the society.

A note on safety: VAALCO's primary concern is the safety of our employees and agents. If someone tries to extort money by threatening an employee or agent with injury or death, you may make the payment to protect that person. However, you must report the situation immediately to the General Counsel and ensure that the payment is properly recorded in the books and records of the Company.

3. Reasonable and Bona fide Payments or Gifts. Certain reasonable, bona fide expenses incurred while promoting the Company to foreign officials, hosting a tour of foreign public officials at a Company Facility or entertaining employees of a foreign state-owned firm (such as a state-owned oil company) may also be legitimate expenses under the FCPA. Similarly, a gift of nominal value provided to a government official as a courtesy, token of regard, or expression of gratitude, in accordance with the customs of the local country, is often an important or expected means of fostering good relationships. Nevertheless, the provision of business entertainment, expense reimbursement, and giving of gifts, if abused, can create the appearance of impropriety or constitute an improper payment. Therefore, as also specified in the VAALCO Code of Business Conduct and Ethics, **no gifts or business entertainment** of any kind having more than a nominal value (such as pens, coffee mugs, and similar items) may be given to any foreign official without the **prior approval** of the General Counsel.

The principal guide in providing business entertainment or expense reimbursement is a rule of reasonableness. The Company should be cautious and conservative, and ensure that such expenditures conform to generally-accepted local custom (in amount and type), and are permitted under local law. These expenses may include travel and lodging for the participants, but not for their spouses or children, and may include expenses necessary to perform or execute a contract. Additionally, these expenses must be fully and accurately described and recorded in the Company's books and records.

Accounting Requirement and Internal Control Requirement

Per the accounting requirement of the FCPA, it is the policy of VAALCO that all officers, employees and agents of VAALCO will make and keep books, records and accounts, which in reasonable detail, accurately reflect all transactions and dispositions of assets. In addition, VAALCO and its officers, employees and agents will maintain the Company's system of internal accounting controls to record all transactions appropriately and in accordance with rules and regulations.



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Effectively, the FCPA prohibits the mischaracterization or omission of any transaction on a company's books or any failure to maintain proper accounting controls that result in such a mischaracterization or omission. VAALCO will not tolerate any deviation from these requirements. Failure to adhere to these principles and procedures will result in immediate disciplinary action, up to and including possible termination.

Importantly, the requirement to properly record all transactions fairly and accurately extends to all original documents, including invoices, receipts and expense reports, and not just general ledgers.

The purpose of these provisions is to prevent companies from concealing bribes and from engaging in fraudulent accounting practices. For example, under the FCPA, it is illegal to record a bribe as a commission to a sales agent, a consulting fee, or a "success fee" when there is actual knowledge or reason to believe that the payment or a part of the payment is going to a government official. Failure to maintain a system of internal controls or falsifying the books and records is a violation of the FCPA and a violation of VAALCO policy.

These policies extend to all of VAALCO's financial record-keeping activities and are integrated with the obligations to which VAALCO is already subject by virtue of federal and state securities laws, including the U.S. Securities and Exchange Act of 1934.

Sanctions and Penalties

The FCPA has both criminal and civil aspects, and is aggressively enforced by the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC). These agencies investigate allegations that come to their attention through a variety of sources, including press reports, company employee information, and complaints from competitors. The penalties can be significant and are as follows:

Sanctions for Anti-Bribery Violations

A single violation of the anti-bribery section of the Act may cost a company up to U.S. \$2 million in fines per violation. However, due to the alternative provisions of the Sentencing Reform Act, these penalties can be increased significantly. For example, in a recent prosecution of an oil and gas company, by both the DOJ and the SEC, the total fines and penalties against a company came to \$398 million, and included disgorgement of more than \$150 million in profits allegedly realized as a result of the bribes.

Individuals who make payments in violation of the FCPA may be sent to prison for up to five years and are subject to fines up to U.S. \$250,000.00 per violation. The Company cannot pay criminal fines imposed on individuals. The violation of the anti-bribery provisions also carries the potential for civil penalties against individuals which may also be sought by the SEC.



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Sanctions for Accounting and Internal Control Violations

The penalties for violations of the recordkeeping and accounting sections are the same as penalties that apply to most other violations of the federal securities laws. The criminal penalties for willful violations of the record-keeping provisions of the FCPA provide for up to 20 years in prison and U.S. \$5 million in fines for individuals and fines of up to U.S. \$25 million for companies.



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Typical Risk Areas

Special care should be observed when dealing with any of the following areas, which may be undertaken only to the extent reviewed and approved by the General Counsel (but, absent instructions otherwise, approval will be deemed to have been granted for hosted foreign travel, social payments, and charitable donations if such payments were required by a written contract that was reviewed and approved by the General Counsel at the time of its execution):

1. Gifts and entertainment
2. Hosting foreign official travel
3. Facilitating or Grease Payments
4. Social Payments - development of a foreign country
5. Donations to Foreign Charities
6. Foreign Political Contributions

All VAALCO directors, officers, employees and agents should look out for “red flags” that suggest possible improper conduct or violations of this Policy. Red flags are caution signals that should trigger further question and review. If there is a legitimate explanation for an unusual circumstance, that finding should be documented by the individual conducting the review. If, on the other hand, the review suggests the probability of a Policy violation, appropriate steps (for example, the immediate termination of any agreement with a third party) should be swiftly taken, with the advice of legal counsel.

Examples of Red Flags may include:

1. Unusual payment requests, such as up-front payments, payment in third countries, payments in foreign currency, payments to entities or persons other than the ones providing the goods or services, requests for additional compensation during the term of an agreement, or changes in the historical magnitude of payments;
2. Possible unethical practices, such as preparing false documents or providing false answers to questions;
3. Press reports or rumors of improprieties;
4. Relations by third parties or others to government officials, such as principals who are related to government personnel, or owners or employees who hold government positions;
5. Comments that infer bribery will or has taken place;
6. Termination of a similar agreement by other clients;
7. Unfavorable reference checks; and
8. Requests to keep a relationship secret.

Reporting and Monitoring Mechanisms

Employees may report any violations or potential violations of this policy by contacting their director supervisor or the General Counsel at 713-499-1465.



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Reports of infractions to any section of this Policy also may be reported **anonymously** by telephone to the individuals above or by addressing a letter, marked Personal and Confidential to:

**General Counsel
9800 Richmond, Suite 700
Houston, Texas 77042**

The General Counsel is in charge of handling complaints/reports of violations – if the General Counsel is unavailable for any reason, VAALCO’s Chief Financial Officer, may serve as a compliance officer for purposes of this Policy.

The Company will not tolerate harassment or retaliation against any person who makes a good faith report of a suspected violation of this Policy. Harassment or retaliation will result in disciplinary action, up to and including termination.

The Company will conduct regular FCPA/Anti-bribery audits to ensure compliance by its directors, officers, employees and agents

Related Laws

To the extent applicable to the activities or actions of a director, officer, employee or agent, each such person shall comply with the following additional related laws, among others:

1. Local laws outside the U.S. which provide independent prohibitions against bribery and trade violations,
2. U.S. economic and trade sanctions administered by The Office of Foreign Assets Control (OFAC),
3. Organization of Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials,
4. The United Kingdom’s Bribery Act of 2010 and Anti-Terrorism Crime & Security Act of 2001 (the “CSA”),
5. USA PATRIOT Act, and
6. U.S. anti-money laundering laws and regulations.

Ongoing Compliance Training

Each employee and agent is responsible not only for reading and understanding this Policy, but also to take part in ongoing compliance training provided at least on an annual basis by outside counsel or by the General Counsel.

1. All employees and representatives will be asked to certify compliance with this Policy annually - translations of both the FCPA Policy and Training materials will be made available as needed and as requested.



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2. Participation in training, annual certifications, and ongoing compliance with this Policy shall be considered in performing annual employee performance reviews.
3. Enforcement will be the responsibility of the General Counsel.

Related Policies and Procedures

Directors, officers, employees and agents must also comply with all related policies and procedures, some of which may provide information regarding decisions related to anti-bribery compliance, including the Code of Business Conduct and Ethics.

Conclusion

The on-the-spot reactions of individual directors, officers, employees, and agents of VAALCO to requests for payments and rumors of red flags are critically important to the Company's ability to prevent payments and to protect itself from liability. So, remember:

- If you hear rumors of improper payments or observe any red flags suggesting potential concerns, report them to the General Counsel immediately.
- If you receive a request for an improper payment from an official, or a third-party, refuse to make the payment and explain that VAALCO does not make such payments.
- Instruct third-parties that they are not authorized to make improper payments on the Company's behalf, and explain that we cannot continue to do business with them if they make such payments.
- Make clear that your compliance with this Policy and your refusals to make improper payments are absolute, and do not come with a "wink and a nod."
- Document any request for an improper payment and immediately report the request to the General Counsel and wait for their instructions on next steps.

A violation of the FCPA can result in serious consequences for the Company and for the individuals involved. Issues that arise under the FCPA can be subtle and require difficult judgments. Company personnel should consult with the General Counsel, or in his absence the Chief Financial Officer, when questions arise and must not try to make difficult judgments on their own.

Contact Information

- General Counsel at 713.499.1465
- Chief Financial Officer at 713-212-1034
- Haynes and Boone, LLP - VAALCO's outside legal counsel, Bill Nelson at 713.547.2084 and bill.nelson@haynesboone.com



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**ACKNOWLEDGMENT AND RECEIPT OF MEMORANDUM
REGARDING VAALCO ENERGY, INC.'S
Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy**

To the Board of Directors of VAALCO Energy, Inc.

I have received the policy dated December 3, 2015, setting forth the Company's **Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy**. I understand its contents and have been advised that if I have a question about the meaning of the Company's **Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy** or how it applies in a particular instance, I may ask the Company's General Counsel to advise me, or in his absence the Chief Financial Officer of the Company. I certify that I have complied and will comply with the **Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy** and that I am not aware of any violations of the **Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy**.

Signature

Date

Name - please print

Return to: Human Resources Department