



# Anti-Corruption and FCPA Compliance Policy

## **Purpose and Scope**

Vicor Corporation ("Vicor" or "the Company") must comply with the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") and all applicable anti-corruption laws, both domestically and internationally. This Policy sets the expectation and requirements for compliance with those laws.

For purposes of this policy, "bribery" is defined in both the traditional sense of "offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an official in the discharge of his or her defined public or legal duties" and the expanded sense of responsibilities.

## **General Policy**

No Company director, employee, agent, consultant, representative, distributor, licensee, or joint venture partner ("Company Representative(s)") has authority to violate the FCPA or any applicable anti-corruption law.

The FCPA prohibits Company Representatives from corruptly paying, offering to pay, or giving anything of value to any Foreign Official (as defined below) in order to influence the Foreign Official in his or her official capacity to induce the Foreign Official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person. All Company Representatives are obligated to keep books, records, and accounts that accurately and fairly reflect all transactions and disposition of Company assets.

## **Compliance with Laws; No Improper Payments**

Countries around the world are adopting anti-corruption laws, which make bribery a crime. Both the Company and Company Representatives are governed by these laws and must abide by them. Vicor prohibits all improper or unethical payments to any individual, including the Foreign Officials who are the focus of FCPA restrictions, anywhere in the world.

## **Reporting Demands for a Bribe**

Every person doing business with Vicor must understand a Company Representative will not, under any circumstances, offer (implicitly or explicitly), give, or accept bribes or kickbacks. Any demand for a bribe or payment of a bribe must be brought by Company Representatives, in writing, immediately to the attention of the Chief Financial Officer.

## **Violations**

Violations of anti-corruption laws will subject both the Company and Company Representatives to fines and criminal penalties, including imprisonment. The Company will not pay any fines or penalties assessed against a Company Representative who is found guilty of violating any anti-corruption laws.

## Understanding the FCPA

The following concepts and definitions are essential to understanding the scope of the FCPA's anti-bribery provisions:

- The FCPA contains both anti-bribery and accounting provisions. As a registrant (i.e., public company filing with the U.S. Securities and Exchange Commission), Vicor is subject to (a) anti-bribery provisions prohibiting Company Representatives from making corrupt payments to foreign officials to obtain or retain business, and (b) accounting provisions requiring registrant to keep accurate books and records, while maintaining an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books and records or knowingly circumventing or failing to implement a system of internal controls.
- The U.S. Department of Justice and the U.S. Securities and Exchange Commission share FCPA enforcement authority.
- The Company may be held liable for violating the anti-bribery provisions of the FCPA whether or not it took any action in the U.S. This means the Company and Company Representatives can be liable for the conduct of overseas Company Representatives, even if no money was transferred from the U.S. and no U.S. person participated in any way in the bribery.
- "Foreign Official(s)" means any non-U.S. government official (including employees of government-owned and government-controlled companies, and employees of public international organizations), political party, party official or candidate, and anyone working in an official capacity for or on behalf of a non- U.S. government, government-owned or government-controlled company, public international organization or political party. Some examples of Foreign Officials include: employees of state-owned or state-controlled companies, members of royal families, members of the military, employees of state-owned universities, employees of the World Bank, the United Nations, the European Union, the Monetary Fund, and immigration and customs officials. Foreign Officials include all levels and all ranks of government officials, whether at the national, state, provincial, municipal, or other level.
- "Giving, offering or promising" includes direct and indirect payments, gifts, offers, or promises. Even if the improper payment is not consummated or successful in its objective, merely offering it violates the FCPA.
- Instructing, authorizing, or allowing a third party to make a prohibited payment on the Company's behalf constitutes a violation of the FCPA by the Company and the individuals involved. This includes ratifying a payment after the fact, or making a payment to a third party knowing or having reason to know that it will likely be given to a Foreign Official.
- "Anything of value" includes, but is not limited to, cash, cash equivalents (such as gift cards), gifts, travel, meals, entertainment, use of vehicles, accommodations or valuable favors, such as educational and employment opportunities for friends and relatives. For purposes of this policy, a "thing of value" has no minimum value. Even a small gift is a "thing of value."
- "Obtaining or retaining business or securing an improper advantage" includes, but is not limited to, preferential treatment in a bid or proposal, a reduction in taxes or customs duties, a favorable change in regulations, tolerance of non-compliance with local rules, or other favors or preferential treatment. The business to be obtained or retained or the improper advantage need not involve a contract with a foreign government or foreign government instrumentality.

## What the FCPA Prohibits

The FCPA has two parts: (1) the anti-bribery provisions and (2) the accounting (i.e., record keeping and internal controls) provisions. Violations under these provisions have the following elements:

### (1) Anti-Bribery

A violation of the FCPA's anti-bribery provisions occurs when a payment, offer, or promise to pay anything of value, directly or indirectly, is corruptly made to any Foreign Official or anyone acting on behalf of a governmental international organization for the purpose of obtaining or retaining business for or with or directing business, or to secure an improper advantage.

#### (a) Intent and knowledge of a bribe exist.

##### 1. An improper purpose is intended.

The FCPA prohibits payments intended to influence any act or decision of a Foreign Official in his or her official capacity, to induce such official to undertake or not to undertake an act in violation of his or her lawful duty or secure an improper advantage; or induce such Foreign Official in his or her influence to affect or influence an act or decision of the government in order to obtain or retain business for or with or to direct business to a person or entity.

##### 2. Knowledge exists regarding payments made by third parties.

The FCPA also prohibits payments made by third parties to which or whom a Company Representative pays or transfers value, knowing the payment or transfer will be passed on or made in whole or in part to a Foreign Official. A Company Representative's state of mind is "knowing" with respect to conduct, a circumstance, or a result if the person is aware or has a firm belief a third party is engaging in such conduct, that such circumstance exists, or that such result is substantially certain to occur. The Company and a Company Representative may be held to have "knowledge" of an unlawful transaction, notwithstanding any attempts to insulate themselves through willful blindness, ignorance, or conscious disregard of suspicious actions or circumstances.

#### (b) Payments do not represent excluded "facilitating" payments.

Under limited circumstances, the FCPA allows modest payments to expedite or secure the performance of certain routine government actions (e.g., common clerical activities) which do not involve the exercise of discretion. A "facilitating payment" is a payment of modest value, usually in cash, given to a government employee to expedite or secure the performance of a routine governmental action. While anti-corruption laws prohibit bribes to government officials to influence decisions, the U.S. and some other countries may allow facilitating payments in limited situations. Examples include expediting utility services, providing needed police protection, or approving the granting of a work permit, customs clearance, or a visa to which the applicant is entitled. The term "routine governmental actions" does not include any decision by a Foreign Official whether or on what terms to award new business or to continue business with a particular party,

or any action taken by a Foreign Official involved in the decision-making process to encourage a decision to award new business or to continue business with a particular party.

Vicor strongly discourages the use of facilitating payments and absolutely prohibits facilitating payments over US\$100 or the local equivalent, without the prior written approval of the Compliance Officer. Two or more facilitating payments under US\$100 or the local equivalent to the same government official or employee in any twelve-month period without such prior written approval is also strictly prohibited. Approval of facilitating payments in excess of US\$100 or the local equivalent will rarely be granted and only for good cause shown. Facilitating payments may not be made in contravention of local laws prohibiting such payments.

All facilitating payments over US\$100 or the local equivalent require prior approval by the Compliance Officer, in the absence of a Compliance Officer, the Chief Financial Officer. The approval request must list the details of the proposed payment and include the amount, the recipient, the name of his or her employer, and the justification for the proposed payment, as well as any additional information requested by the approver.

Approval requests are to be submitted to the Compliance Officer using the contact information listed at the end of this policy. The Compliance Officer will determine whether the requested payment is or is not a permitted facilitating payment and will communicate the decision to the requester by e-mail or in a written memo. The decision of the Compliance Officer is final and must be followed.

All facilitating payments, including those under US\$100 or the local equivalent, must be reported immediately after they are made to the Compliance Officer by e-mail at the contact information listed at the end of this policy. The report must list the details of the payment to include the amount, the recipient, the name of his or her employer, and the justification for the payment, as well as any additional information requested by the Compliance Officer.

In addition, all facilitating payments must be recorded accurately and fairly in expense accounts and the Company's books and records. Expense information shall include all information required pursuant to the Company's expense account policies and procedures. Any facilitating payment must be accurately and transparently recorded in the Company's General Ledger.

Making facilitating payments in violation of this policy or applicable laws will subject a Company Representative to possible termination of employment and prosecution by authorities.

- (c) Payments representing extortion by a Foreign Official may be permitted, but only if a Company Representative's *physical safety* is threatened.

Economic extortion, such as a threat to harm, delay, or interfere with the Company's business or the award of an order or contract, can never justify a payment that would violate this policy. However, a payment arising from threats of physical violence and a genuine concern for one's personal safety is a payment made under physical duress. When a payment is extorted by a Foreign Official who threatens imminent bodily harm, a Company Representative may and should make the payment that is demanded. Any extortion demand must be reported immediately to the Compliance Officer, who will determine any additional actions

to be taken, such as reporting the occurrence to the U.S. Embassy in the particular country. Any such payment must be accurately and transparently recorded in the Company's General Ledger.

- (d) Expenses for promotion of services or performance of government contracts may be permitted. The FCPA permits reasonable and *bona fide* expenses, such as travel and lodging expenses, incurred by a Foreign Official in connection with the promotion, demonstration, or explanation of the Company's products and services, or in the execution or performance of a foreign government contract. Such expenses do not include those incurred by the Foreign Official's spouse or family member or the costs of a personal side trip. Any payment for expenses for promotion of services or performance of government contracts must comply with the provisions of Vicor's Code of Business Conduct.
- (e) Charitable donations may be permitted, while political contributions are forbidden. The FCPA does not prohibit charitable donations or political contributions, but such payments can violate the FCPA when they are made with the intention of influencing an act or decision of a Foreign Official in his official capacity, to induce such Foreign Official to do or not to do an act in violation of his lawful duty or secure an improper advantage, or to induce such Foreign Official in his influence to affect or influence a decision of the government in order to obtain or retain business for or with, or to direct business to, a person or entity. Lawful charitable donations must comply with the provisions of Vicor's Code of Business Conduct.

## **(2) Accounting**

Vicor is required under the FCPA to keep books, records, and accounts in reasonable detail, accurately and fairly presenting the Company's assets and how the Company's money has been spent. Vicor has adopted a system of internal accounting and operating controls and procedures that must be strictly adhered to by all Company Representatives in providing financial and business transaction information to and within the Company, so that all underlying transactions are properly documented, recorded, and reported. These internal controls are the backbone of the integrity of the Company's financial records and financial statements.<sup>1</sup>

A failure to accurately and fairly document any transaction is a separate violation (i.e., distinct from an anti-bribery violation) of both the FCPA and this policy, whether the transaction is legitimate, a facilitating payment, or an illegal bribe. This further highlights the need to avoid improper payments altogether, to minimize the use of facilitating payments, and to maintain accurate books and records in any event.

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<sup>1</sup> Under Section 302 of the Sarbanes-Oxley Act of 2002, the Chief Executive Officer and Chief Financial Officer must certify the financial statements presented in all periodic filings with the Securities and Exchange Commission fairly present in all material respects the financial condition and results of operations of the Company. Criminal penalties for certifying a misleading or fraudulent financial report can be upwards of \$5 million in fines and 20 years in prison.

Section 404 of the Sarbanes-Oxley Act of 2002 requires Vicor's filings on Form 10-K with the Securities and Exchange Commission to present management's to report on, and the Company's independent registered public accounting firm to attest to, the effectiveness of the Company's internal control over financial reporting.

Vicor has an ongoing program to perform the system and process evaluation and testing necessary to comply with the requirements of the Sarbanes-Oxley Act, to continuously improve and remediate the Company's internal controls over financial reporting, and, thereby, assure the integrity of the Company's financial reporting systems and procedures. The provisions of this Anti-Corruption and FCPA Compliance Policy, and the monitoring thereof, are important elements of this ongoing program.

Vicor expects Company Representatives that are not directors or employees of the Company to maintain and keep books and records accurately and fairly recording transactions, services, and the purpose of any payments, including those detailed in invoices submitted to the Company.

### **Complying with Anti-Corruption Laws**

While each Company Representative is individually responsible for conducting the Company's activities in a manner consistent with the Company's Code of Business Conduct and in compliance with anti-corruption laws wherever Vicor operates, a Company Representative does not do so alone. Vicor has the resources, personnel, and processes to answer questions and guide Company Representatives through difficult decisions. The Compliance Officer periodically conducts a formal training program, addressing this policy, Vicor's reporting mechanisms, and the explanation of internal controls and procedures. This compliance training is intended to help assure compliance with anti-bribery laws and especially detect and deter violations of the FCPA and any other applicable anti-corruption laws.

### **Further Information**

Anti-corruption laws around the world can be complex and far reaching. This policy is not intended to be an explanation of all the specific provisions of those laws or an exhaustive list of activities or practices that could affect the reputation and goodwill of the Company's business. This policy should be read in conjunction with the Company's other policies governing employee conduct and any questions should be addressed to the Chief Financial Officer or the Compliance Officer. This policy may be more restrictive than the letter of the international anti-corruption laws and/or the FCPA. In the case of any inconsistency between any other Company policy and this policy, the provisions of this policy shall govern.

A useful resource can be found on the website of the U.S. Department of Justice:

<http://www.justice.gov/criminal/fraud/fcpa/guide.pdf>.