

TRECORA RESOURCES
ANTI-CORRUPTION COMPLIANCE POLICY
April 2018

Directors, officers, and employees of Trecora Resources and its subsidiaries (collectively the “Company”) are expected to review this policy periodically and apply it to all of their work.

BACKGROUND:

“Corporate bribery is bad business. In our free market system it is basic that the sale of products should take place on the basis of price, quality, and service. Corporate bribery is fundamentally destructive of this basic tenet. Corporate bribery of foreign officials takes place primarily to assist corporations in gaining business. Thus foreign corporate bribery affects the very stability of overseas business. Foreign corporate bribes also affect our domestic competitive climate when domestic firms engage in such practices as a substitute for healthy competition for foreign business.”¹ *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, p. 1., <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2015/01/16/guide.pdf>

The Company, its Board of Directors and its management are committed to conducting the Company’s domestic and global business honestly, ethically and in compliance with all laws (national and local), wherever we do business.

This policy should be read in conjunction with the Company’s Standards of Business Conduct (April 2018). The following statement from our Standards of Business Conduct bears repeating here:

“ANTI-CORRUPTION POLICY

It is the policy of Trecora Resources that directors, officers, employees, and third parties acting on its behalf are prohibited from offering or paying, directly or indirectly, any bribe to any employee, official, or agent of any government, commercial entity, or individual in connection with the business or activities of the Company, **domestic or foreign**. A bribe for purposes of this policy is any money, goods, services, or other thing of value offered or given with the intent to gain any improper advantage for the Company. No director, officer, employee, or third party should assume that the Company’s interest ever requires otherwise.”

This broader policy focuses primarily on U.S. federal and state anti-corruption and anti-bribery laws, e.g., the Foreign Corrupt Practices Act (“FCPA”), because of the prominence that these laws have on our operations domestically and in the international marketplace. However,

¹ *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, p. 1., <https://www.justice.gov/sites/default/files/criminal-fraud/legacy/2015/01/16/guide.pdf>

some places where we do business may also be regulated by other anti-corruption legislation of other countries as well as international compacts.²

The FCPA is enforced by components of the United States Department of Justice (“DOJ”) and the United States Securities and Exchange Commission (“SEC”). The jurisdiction of these two enforcement bodies often overlap, and it is becoming increasingly common for them to work collaboratively. However, there are also significant jurisdictional differences. The SEC typically brings civil and administrative actions against **public companies (and its employees)** that have registered securities and/or are required to file reports with the SEC. The DOJ is authorized to enforce the criminal sanctions of the FCPA against companies *and* individuals. It is not unusual for the SEC and the DOJ to separately seek and assess penalties for the same or similar misconduct.

Compliance with the FCPA and other anti-bribery and anti-corruption laws and regulations are particularly important since the Company and its subsidiaries conduct business in emerging markets in which (i) government officials are frequently engaged in commercial and financial activities for their own accounts; (ii) corruption and related problems are common; and (iii) legal standards and enforcement policies are developing, but are often unclear and inconsistently applied. In such circumstances, special vigilance is important to ensure compliance with anti-corruption and related legislation. It is crucial that competitive pressures in such an environment do not undermine our commitment to ethical conduct and compliance with all applicable laws.

Reading and being familiar with this anti-corruption policy is essential, but is only part of the obligation of every employee and stakeholder subject to the policy. The Company will provide periodic and mandatory training on the policy to ensure compliance with applicable laws, and **all employees** and those involved in the Company’s governance will be required to receive training.

ANTI-CORRUPTION POLICY

Anti-Bribery: The FCPA and other anti-bribery and anti-corruption laws prohibit Company employees, as well as third party intermediaries (such as sales agents, joint venture relationships, distributors, suppliers, business partners, contractors and certain other stakeholders) from corruptly offering, promising, authorizing or paying anything of value to another, including (but not limited to) local government or foreign officials, any foreign political party or official thereof, or any candidate for foreign political office, when the purpose is to influence another for the purpose of **obtaining or retaining business**, or securing some other **improper advantage**.

Accounting; Books and Records: Consistent with the Company’s Gifts and Entertainment policy, the FCPA, securities regulations and other laws also require that the Company maintain a system of internal accounting controls. Part of this requirement is that the

² Other oft cited anti-corruption laws and regulations include the UK Bribery Act 2010 , <http://www.legislation.gov.uk/ukpga/2010/23> , the Canadian Corruption of Foreign Public Officials Act (“CFPOA”), <http://laws-lois.justice.gc.ca/eng/acts/C-45.2/> and the OECD Convention On Combatting Bribery of Foreign Officials in International Business Transactions and Related Documents, http://www.oecd.org/daf/anti-bribery/ConvCombatBribery_ENG.pdf .

Company make and keep books and records which, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets. False, misleading or incomplete entries in such records or in other documents are prohibited. No undisclosed or unrecorded fund or account may be established for any purpose.

A system of accounting controls shall be maintained that provides reasonable assurances that (i) transactions are executed in accordance with management authorization; (ii) transactions are recorded so as to permit preparation of accurate financial statements and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management authorization; and (iv) appropriate auditing functions are conducted.

ANTI-MONEY LAUNDERING POLICY

Money laundering is the process by which one conceals the existence of an illegal source of income and then disguises that income to make it appear legitimate. Use by the Company of proceeds tainted by illegality can give rise to liability in the places in which we do business and in which the Company operates. Employees should contact the Company's Controller if they are aware of suspicious circumstances leading them to believe that any transaction might involve the payment or the receipt of proceeds of any unlawful activity.

DEFINITIONS

Foreign Official is an officer or employee of a non-U.S. government (or any department, agency or instrumentality thereof), or a "public international organization" or any person acting in an official capacity for or on behalf of any such government (or department, agency or instrumentality thereof) or public international organization. Public international organizations include such organizations as the International Monetary Fund and the European Bank for Reconstruction and Development. Note that foreign officials also include employees of government owned or controlled commercial entities.

Corruptly means that the offer, promise, authorization or payment must be intended to induce the recipient to misuse his or her official position in order to wrongfully direct business to the payor, or to obtain preferential treatment or otherwise secure an improper advantage. The word "corruptly" connotes an evil motive, bad purpose, or intent to wrongfully influence the recipient.

Knowledge under the FCPA is broader than "actual" knowledge. In order to violate the FCPA's anti-bribery provisions, an individual must "know" that the corrupt payment is being offered. Under the FCPA, knowledge exists when a person is aware that a "result is substantially certain to occur" or a person has a "firm belief that such circumstance exists". Conscious disregard, deliberate ignorance and willful blindness will not avoid liability. This same standard of knowledge is also used for money laundering violations. Note that the books and record provisions of the FCPA contain no knowledge requirement. Thus, even unintentional, immaterial misstatements can create liability.

Contractors and suppliers are defined as a third-party entities or individuals who provide, and receive payment for, services or goods related to any aspect of a the Company's operations, and may also include consultants and subcontractors.

ADDITIONAL GUIDANCE

Transactions Involving Government Officials

Payments, including hospitalities and gifts, to local, state, federal and foreign government officials may be made only in compliance with this policy and any procedures implemented pursuant to this policy. Prior to any such payment being made to an official, the Legal Department must determine that such payment complies with the FCPA, other federal, state and local laws. Such payments must be accurately recorded and are subject to regular review by the Company.

Retaining a government official (as an agent, lobbyist, consultant, etc.) may be permissible but must be handled with caution. Such relationships must be structured so that they meet the requirements of the ant-bribery and corruption laws discussed herein. No such relationship may be negotiated without the prior approval of the Company's Controller.

Similar caution must be exercised where a potential employee or agent is affiliated with an organization which could be deemed to be a government instrumentality, has a familial relationship with a government official or was previously engaged in government service. If you face any of these circumstances, you should consult the Company's Controller.

Transactions with Intermediaries and Partners

Payments to intermediaries or partners where such intermediaries or partners subsequently make an illegal payment or payments violate this Policy. In order to minimize this risk, the Company requires that an investigation be conducted of the intermediaries and partners with whom the Company intends to do business when any "red flags" (described further in the anti-corruption compliance procedures) or other suspicious circumstances are believed to exist.

A due diligence investigation should include a review of reputation, expertise, experience and past performance of potential intermediaries or partners; their connection, if any, to government officials; the reasonableness of the proposed payment arrangements under the circumstances; and the business purpose for entering into the transaction. In certain situations, it may be necessary to hire private investigators to verify the reputation, credibility and financial stability of an intermediary or partner. No such investigation should be undertaken without the prior approval of the Company's Controller, and the status of such investigations should be treated as the Company's confidential and privileged information.

Charitable Contributions and Support for Social Projects

Monetary and other contributions to charities, social projects and funds, including schools, educational funds and infrastructure projects, should be handled with caution because they can be conduits for corrupt payments. In order to minimize this risk, the Company requires an appropriate investigation be conducted into such charities and projects. Any such contributions require prior approval of the Company's Controller.

Hospitalities and Gifts

Under certain circumstances and consistent with the standards of domestic bribery laws as well as the “FCPA, certain hospitalities such as transportation, accommodations, meals, entertainment and nominal gifts may be extended to government officials. All such hospitalities and gifts must (i) have a clear business purpose which is directly related to the Company’s commercial objectives; (ii) be reasonable in amount and bona fide; and (iii) be offered only in connection with the promotion, demonstration, or explanation of the Company’s products or services or the execution or performance of a contract with a non-U.S. government or agency thereof. Similarly, and in keeping with the Company’s policy on Gifts and Entertainment,

“Directors, officers, employees, and third parties acting on behalf of the Company providing or receiving third party gifts and entertainment in their corporate capacities are expected to exercise good judgment in each case, taking into account pertinent circumstances, including the character of the gift or entertainment, its purpose, its appearance, the positions of the persons providing and receiving the gift or entertainment, the business context, reciprocity, and applicable laws and social norms. Gifts and entertainment must not be intended to create an improper advantage for the Company and must not influence—or appear to influence—the ability to make objective business decisions that are in the best interest of the Company. All expenditures for gifts and entertainment provided by the Company must be accurately recorded in the books and records of the Company.”

The provision of any such hospitalities and gifts should be infrequent since the cumulative effect of regular hospitalities or gifts may create the appearance of improper conduct. In addition, hospitalities and gifts may not be lavish or extravagant. No hospitalities of an extravagant nature should be extended or gifts given to family members or relatives of customers, suppliers, government officials or other third parties without the prior approval of the Legal Department. In all cases, adequate and accurate documentation in connection with such requests for payments for hospitality or gifts must be submitted to the Legal Department, and such documentation must (i) describe the nature of expenditure and its business purpose; (ii) indicate how such expenditure relates to promotion, demonstration, or explanation of products or services or relates to execution or performance of a contract; (iii) identify those individuals, including name and title, who receive the hospitality or gift; (iv) indicate the value of the hospitalities or gifts and amounts involved; and (v) describe the manner of payment.

Internal Controls

Compliance with the Company’s accounting and internal control procedures is mandatory. Of particular significance are the following:

Record Keeping. All accounting records, expense reports, invoices, vouchers, records of gifts, business entertainment or other expenditures, and contracts or agreements must be accurately and completely reported and recorded.

False or misleading documentation will result in immediate disciplinary action. No Company funds or assets may be used for any unlawful, improper or unethical purpose. All Company financial books and records must be maintained in accordance with applicable accounting and auditing standards, Company fiscal procedure and applicable law governing the maintenance of corporate books and records.

No transaction will be made on the Company's behalf with the intention or understanding that the transaction or payment is other than as described in the document evidencing the transaction or supporting the payment. All corporate assets must be properly protected and asset records regularly compared with actual assets. Proper and prompt action must be taken to reconcile any variances.

Support for Expenses. Requests for expense reimbursements must be approved in accordance with Company policy. Supporting documentation, including original receipts, invoices or other relevant documents, for the expense reimbursements must be filed with the expense reports and maintained for a reasonable period of time established by the accounting department. Such documentation must state the (i) description of the expenditure; (ii) purpose; (iii) identification of the recipient; (iv) amounts involved; and (v) manner of payment. The approval process will be monitored for compliance with Company standards.

Wire Transfers. The practice of transferring funds to the off-shore accounts of employees, intermediaries, consultants and third party vendors is not permissible without prior notice to (including proper supporting documentation) and approval of the Company's Controller.

Petty Cash. All petty cash accounts must be maintained with strict controls to ensure their use is limited to proper purposes and that each use is appropriately documented. No undisclosed or unrecorded Company funds may be established for any purpose. Any amounts paid from such accounts should be properly supported as described above, recorded and reflected in the accounting records.