

ITERIS, INC.

Foreign Corrupt Practices Act (FCPA)

Policy and Practices

This statement of policy and practices supplements the Iteris Code of Ethics and Business Conduct Policy and provides a specific policy and practices related to the U. S. Foreign Corrupt Practices Act of 1977 as amended (the "FCPA"), and similar laws, regulations, and international conventions and treaties, including but not limited to the Organization for Economic Cooperation and Development (OECD) Anti-bribery Convention and United Nations (UN) Convention Against Corruption, applicable in countries where Iteris conducts business. The FCPA makes it illegal for U.S. citizens and companies, their officers, directors, employees and agents, and any stockholders acting on their behalf, to bribe foreign officials. The FCPA also requires U.S. companies to keep accurate and complete books and records and to maintain proper internal accounting controls.

As a United States public corporation, and in the interest of continued harmonious business relationships, it is important to Iteris, Inc. (the "Company") that its associates, its agents, representatives and consultants, be made aware of FCPA. In addition to the FCPA, a number of foreign governments and global organizations have adopted laws, international conventions, treaties and regulations increasing penalties and fines for corrupt practices. Companies must also be mindful that corrupt practice violations can trigger other forms of criminal liability. Increasingly, matters that start as corrupt practice enforcement actions end up generating charges under related criminal laws and regulations, such as money laundering, mail and wire fraud.

The FCPA contains two principal parts. First, the FCPA makes it a criminal offense to pay, offer, or give anything of value to a foreign official, a foreign political party (or official thereof) or candidate for foreign office, for the purpose of influencing the decisions of those officials, parties or candidates ("Part I"). This is true regardless of the fact that giving anything of value may be widely accepted or even seem necessary in the country in question. Second, the FCPA sets forth record keeping and accounting requirements that require Company to maintain records that accurately and fairly reflect all transactions and dispositions of all assets ("Part II").

All Company associates, agents, representatives and consultants, must comply with both parts of the FCPA. If you have questions on Part I of FCPA, consult the Company Contracts Department. If you have questions in Part II of FCPA, consult the Company Accounting Department.

The Company policy is to fully comply with the letter and spirit of the FCPA. Since the Company has significant activity abroad and continues its expansion into developing foreign markets, it is imperative that all associates understand the activities prohibited by the FCPA to ensure the Company's compliance with the law.

Criminal penalties for violating the FCPA are quite severe. A corporation may be fined as much as \$2,000,000 per violation. An officer, director, shareholder, employee or other agent of a corporation may be fined as much as \$250,000 and imprisoned for up to five (5) years. A corporation is not permitted to reimburse any officer, director, shareholder, employee or other agent against whom a fine is imposed.

The scope of the laws concerning corruption of public officials is very broad. The laws prohibit not only payments to public officials, but also any offer, promise (even if never fulfilled) or merely an authorization to pay a public official. Such payment, offer, promise or authorization may be direct or indirect. Thus, a company and its agents will be liable under the laws even if they attempt to make a payment indirectly to a public official by using an unrelated third party as a conduit. For example, if a payment is made to a person who is not in any manner connected with a governmental body or political party, and the company or its agents are aware (or should be aware with the

exercise of reasonable due diligence) that the payment will eventually find its way into the hands of a public official, payment with such knowledge will constitute a violation of the FCPA.

“Payment” under the laws is not limited to money. Payment includes anything of value including non-monetary gifts, free trips and other forms of non-cash favors. The following list includes some examples of payments that are not permissible under the FCPA:

- Money or property passed through an agent or consultant to a foreign official or his/her representative in order to obtain business or secure an advantage, including consulting or management contracts, or to obtain certain action on legislation, regulations or other government activity.
- Gifts to foreign charities that are outside the company’s overall pattern of charitable contributions, and are given to obtain business or secure an advantage.
- Gifts to foreign charities that are illegal under the applicable local law.
- Employment of consultants or agents who are also connected with a foreign government or agency for the purpose of influencing that government’s or agency’s decision.
- Excessive gifts or entertainment of foreign officials or their representatives.
- Use of Company’s facilities by foreign officials or their staff other than for purposes of promoting, demonstrating or explaining Company’s services.

The types of public officials who are covered by the law are also quite broad. A public official includes any agent or official of any foreign or domestic governmental body or of any political party, or any candidate for political office or any person acting in an official capacity on behalf of a foreign government or an instrumentality thereof.

Payment of any money or giving anything of value, directly or indirectly, to a foreign official is prohibited for the purpose of:

- influencing any act or decision of the official; or
- inducing the official to use his influence to assist in obtaining or retaining business or directing business to any person; or
- to secure an advantage.

When doing business in another country, doing “favors” for someone may seem customary or harmless, especially if told “this is the way it is done here.” However, it is for these reasons that it may be difficult to identify every circumstance which may be a violation of the FCPA. It is difficult to identify a specific test of precise facts or circumstances that would give rise to liability under the FCPA. Associates should be wary of requests for disproportionate discounts or excessive commissions as well as requests for the payment of cash or payments to bank accounts in third countries. Associates should also be aware of close family or business relationships between Company’s agent and any high foreign official.

The laws prohibiting corruption of public officials do not apply merely to business conducted between a corporation and a governmental body. They also apply to business arrangements between independent corporations if a decision of a governmental official is instrumental in consummating the business arrangement. For example, U.S. regulatory trade agencies must often approve ventures between independent corporations if there is a possibility that such ventures would violate regulatory policy. Such approval would come within the scope of laws prohibiting corruption of public officials. Similarly, if a corporation has contracted with a governmental body, the approval of that governmental body generally will be required to subcontract the work to another business. Such approval would also be covered by the FCPA.

There are three very limited exceptions to the laws concerning bribery of public officials of which you should be aware, but as they are very narrowly interpreted, you must contact the Company Contracts Department before acting in reliance on any of these exceptions.

First, the laws only apply to giving anything of value to public officials relative to obtaining or retaining business. The laws do not apply to many forms of general contributions to political parties or to candidates for political office; however, before such actions are taken, approval must be obtained from the Contracts and Accounting Departments, nor do they apply to certain “facilitating payments” to foreign officials in order to facilitate or expedite non-discretionary (routine) governmental action. The following list contains some examples of “routine governmental action”

- Obtaining permits or licenses to qualify a person to do business abroad.
- Processing papers.
- Providing basic government services, such as police protection, mail service, or scheduling inspections.
- Processing of applications for visas.

It is often difficult to determine the legality of a facilitating payment under local law, even when those payments are sanctioned by local authorities and are consistent with local custom. These are very limited exceptions and you must contact the Contracts Department in advance for guidance and the Accounting Department for instructions as how to properly account for the payment.

Second, the FCPA does not apply to payments which are lawful under the written laws and regulations of the foreign country, but this too is narrowly construed. The laws must be validly adopted and recognized as the law of the country. Few countries today have such laws. The FCPA also permits reasonable bona fide expenses to promote a company's products. The word “reasonable”, however, is narrowly construed. You must use caution and discretion in any business dealings with any person who is a public official and you must contact the Contracts Department in advance for guidance and instructions.

Third, the laws apply only to payments to a public official in his/her capacity as a public official. Many public officials have positions as employees or agents of private businesses and any favors or “wining and dining” of an official in his capacity as an employee or agent of a private business is not prohibited by the laws. However, very often it is not entirely clear whether a person is acting in his/her capacity as a public official or as an employee or agent of a private business. You must therefore use extreme caution and discretion in any business dealings with any person who is a public official and you must contact the Contracts Department in advance for guidance and instructions.

We cannot overstate the severe consequences of violating any laws governing corruption of public officials. You can see from this general summary of the laws that they are quite broad in scope. We also realize that in dealing with public officials many situations may arise which may give you concern where there do not appear to be any clear-cut answers. Remember that foreign utilities are often state owned and, therefore, covered. State-controlled commercial enterprises are likewise covered. There is no clear rule regarding what percentage of ownership triggers coverage under the FCPA, and in many parts of the world, the state owns companies in a broad cross section of industries. These intricate interpretations require you to consult with Company's Contracts Department in advance to resolve any questions of appropriate conduct in the event of any dealings with public officials.

Additionally, the Company's policy requires you to comply with the laws of each country in which you are doing business. If you have any doubt about the applicable law of a foreign country, or if local law conflicts with United States law, please consult with the Company Contracts Department, who will, as necessary, consult with Company legal counsel. In addition, special requirements may

apply when contracting with any governmental body anywhere. Since government officials are obligated to follow specific codes of conduct and laws, special care must be taken in government procurement activities. Federal, state and local government departments and agencies are governed by laws and regulations concerning acceptance by their employees of entertainment, meals, gifts, gratuities and other things of value from companies and persons with which those government departments and agencies do business or over which they have regulatory authority. It is the Company's policy to comply strictly with those laws and regulations.

The record keeping provisions of the FCPA require publicly held United States companies to keep their books, records and accounts in detail, accurately and such that they fairly reflect all transactions and dispositions of assets. Thus 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 mischaracterization or omission. Accordingly, covering up a transaction which violates the FCPA by mischaracterizing it on the Company's books and records (such as an expense account) is itself a separate violation of the FCPA. Violating any laws governing corruption of foreign officials can result in civil and individual criminal penalties and a violation of the FCPA will result in discipline by the Company, up to and including termination of employment.

If you have any questions about the FCPA or its applications to the Company's business affairs or to any particular conduct, contact the Company Contracts Department immediately. You may also contact the CFO, Controller or the Company's In Touch Hotline at 1-888-767-1388 to report any concerns related to the FCPA.

This Policy is effective as of July 1, 2013

Signed:

Abbas Mohaddes
Chief Executive Office

/s Abbas Mohaddes