

Port of Houston Authority
FOREIGN CORRUPT PRACTICES ACT COMPLIANCE POLICY
APRIL, 2018



I. Scope and Purpose.

A. The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits offering to pay, paying, promising to pay, or authorizing the payment of money or anything of value to a foreign official, in order to influence any act or decision of the foreign official in his or her official capacity, or to secure any other improper advantage in order to obtain or retain business. Individuals or companies violating the act are subject to civil and criminal prosecution as well as suspension or debarment from contracting with the federal government.

B. This Foreign Corrupt Practices Act Compliance Policy (the “Policy”) is implemented for the purpose of assisting compliance by the Port of Houston Authority (the “Port Authority”) with the FCPA and other applicable anti-corruption and anti-bribery laws. This Policy applies to all Port Commissioners, Port Authority employees and business partners, whether based domestically or abroad, who may interact with Foreign Officials (as defined below) on behalf of the Port Authority.

II. Definitions.

- A. “Anything of Value” means cash and non-cash Payments (as defined below) and can include gifts, the gift or sale of stock or other investments (in other than an arm’s length transaction for demonstrated fair market value), contracts or other business opportunities awarded to a company in which a Foreign Official (as defined below) holds a beneficial interest, medical expenses, living expenses, educational expenses, contributions to any foreign charity, travel, meals, lodging, or shopping or entertainment expenses.
- B. “Business Partners” means any venture partners, agents, contractors, vendors, consultants, sales representatives, distributors, consultants, and any third-parties representing the Port Authority who may interact with “Foreign Officials” on behalf of or for the benefit of the Port Authority.
- C. “Commissioners and Employees” means all Port Commissioners, and full- and part-time Port Authority employees, wherever located.
- D. “Compliance Officer” means the Chief Legal Officer of the Port Authority, or the person designated by Port Commission action to serve in the capacity as Compliance Officer, and the person designated by the Compliance Officer to act in his or her absence, if applicable.
- E. “Foreign Government” means any government outside the United States.

- F. “Foreign Official” means any officer or employee of a Foreign Government (at any level of government, whether in the executive, legislative or judicial branches, and whether at the national, state or local levels or their equivalent), a public international organization, or a foreign political party, including political candidates. It also includes any person, paid or unpaid, acting in an official capacity for such government or organization, as well as members of a royal family. The term includes consultants who hold government positions as well as officers, directors, and employees of companies owned or controlled by governments, civil servants, and members of the military. For purposes of this Policy, the term also encompasses family members and close personal friends of any of the foregoing, even if they are not otherwise associated with a government or public office.
- G. “Payment” or “Payments” means a distribution of Anything of Value.
- H. “Routine Governmental Action” means an action which is ordinarily and commonly performed by a Foreign Official in connection with (i) obtaining permits, licenses, or other official documents to qualify a person to do business in a foreign country; (ii) processing foreign governmental papers, such as visas and work orders; (iii) providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance or inspections related to transit of goods in a foreign country; (iv) providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration in a foreign country; or (v) actions of a similar nature. The term “routine governmental action” does not include any decision by a Foreign Official whether, or on what terms, to award new business to or to continue doing 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 to or continue doing business with a particular party.
- I. “Senior Personnel” means all Port Authority Commissioners, and Port Authority division officers, directors, senior managers, and other Port Authority department heads.

III. Policy.

A. Improper Payments Prohibited. The Port Authority prohibits the direct or indirect giving or receiving of improper Payments or other improper benefits in order to influence acts or decisions by Foreign Officials in their official capacity or to secure any other improper advantage in order to obtain or retain business.

B. Compliance with Laws. The Port Authority shall conduct its business in compliance with the FCPA and other applicable anti-corruption and anti-bribery laws and regulations, including those enacted in countries where the Port Authority does business.

C. No Payments or Offers to Provide Anything of Value. Persons subject to this Policy may not offer, pay, promise, facilitate, or authorize any bribe, kickback or, except as provided below, Anything of Value, to any Foreign Official directly, or indirectly through a third party, to secure any contract, concession or other favorable treatment for the Port Authority. Likewise, persons subject to this Policy shall take no action to evade FCPA requirements. Payments or offers to provide Anything of Value to Foreign Officials require pre-approval absent rare and extenuating circumstances, and in some cases, they are completely prohibited.

D. Maintain Accurate Books and Records. The Port Authority shall comply with generally acceptable accounting principles and maintain accurate books and records to facilitate internal or external audit of Payments and other transactions subject to FCPA requirements. The Port Authority shall require its Business Partners to comply with the FCPA, including applicable provisions related to accounting and recordkeeping, as the Port Authority relies on invoices and other documents received from or produced by its Business Partners in order to create and maintain accurate books and records.

IV. Business Practices.

A. Preapprovals of Payments. Under some circumstances a Payment to a Foreign Official may be permitted or be legally defensible. Decisions about what is or is not an allowable Payment or whether a person or entity is a Foreign Official must be made after consideration of the relevant circumstances, and reliance on past practice may not be appropriate. To help ensure Policy compliance and proper justification for Payments, all Payments to Foreign Officials are to be preapproved except where a person's physical health or safety are in immediate jeopardy.

1. Preapproval of Payments Associated with Routine Government Action. The following may, consistent with their Port Authority approval authority, preapprove Payments to Foreign Officials for Routine Government Action, but only if the persons identified below (or the Port Commission, if applicable) have received training and executed certifications as required under this Policy:

- a. Division Chief Officers;
- b. Department Heads;
- c. Executive Director; and
- d. The Port Commission.

2. Preapproval of Payments for Other than Routine Government Action or Under Statutory Exception. When the basis for approval of a Payment to Foreign Officials is a foreign law or regulation, or the promotion, demonstration, or explanation of products or services, or the execution or performance of a contract with a foreign government or agency thereof, the following may, consistent with their Port Authority approval authority, preapprove the Payment but only if each person preapproving the

Payment (or the Port Commission, if applicable) has received training and executed certifications as required under this Policy:

- a. Division Chief Officer together with the Chief Legal Officer;
 - b. Executive Director together with the Chief Legal Officer;
- and
- c. Port Commission together with the Chief Legal Officer.

3. Form of Request. Requests for preapproval under this Policy must be in writing, conform to Port Authority procurement procedures, and, at minimum, include:

- a. Justification for the Payment;
- b. The name of the Port Authority employee requesting authorization;
- c. The name and governmental or company affiliation of the Foreign Official to receive the Payment;
- d. The name and governmental or company affiliation of any agent or intermediary receiving or facilitating the Payment or any commission related to the Payment;
- e. Details of the proposed of transaction (e.g. who, how, what, where, when, and why); and
- f. Documentation and/or such other explanation as may also be required under other applicable Port Authority policies, which may include but are not limited to policies regarding travel, meals and business entertainment, the Promotion and Development Fund, and procurement.

4. Form of Approval. Approvals must be provided in writing signed by the person(s) providing the approval.

5. When Preapproval Not Required. The FCPA does not prohibit Payments made where a person's physical health or safety are in immediate jeopardy. If a credible emergency exists and a person's physical health or safety is in immediate jeopardy, preapproval of a Payment is not required. In emergencies, extortion may serve as a defense to an allegation of illegal Payment but the threat must be credible. Any Payment(s) made under this provision must be immediately reported to the Compliance Officer and Executive Director and documented as required by the Compliance Officer.

B. Preparation and Maintenance of Financial Records.

1. The Port Authority's financial statements are, and shall be, prepared in conformity with accounting principles generally accepted in the United States of America. The Port Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of Governmental Accounting Standards Board ("GASB") pronouncements as well as the Financial

Accounting Standards Board (“FASB”) pronouncements, unless FASB pronouncements conflict with or contradict GASB pronouncements.

2. Written requests, approvals, and documentation of denied requests shall be maintained at the Port Authority division level in accordance with the Port Authority’s Record Retention Policy and shall be subject to audit.

C. Assessment of Risks. The Port Authority shall conduct an assessment of risks with respect to its compliance with the FCPA and this Policy at least biennially.

D. Training and Certification.

1. Compliance Training. All Senior Personnel are to be trained on this Policy biennially or more frequently at the discretion of the Compliance Officer. Other employees, as identified by Senior Personnel, and Business Partners who interact with Foreign Officials or approve Payments or contract terms related to business transactions with Foreign Officials on behalf of the Port Authority, shall receive FCPA training at intervals determined by the Compliance Officer.

2. Certifications. All persons required to receive FCPA training shall review this Policy annually and in those years when training is not required, certify that he or she has read and fully understands the responsibilities assigned to them under the FCPA and this Policy and provide a statement concerning their knowledge of any conduct which deviates from this Policy. The certification shall form a part of a signing employee’s personnel file.

V. Responsibilities in Support of the Policy.

A. Compliance Officer.

1. Maintain and implement this Policy and, through biennial review, act to obtain required updates as may be required, including any required to meet the needs of the Port Authority;

2. Develop, establish, and/or approve standards and procedures to facilitate compliance with the FCPA and related laws, including those for the vetting of Business Partners;

3. Develop, establish, and/or approve the content of FCPA training and certifications for Commissioners and Employees, and Business Partners and ensure timely delivery of training and execution of certifications;

4. Ensure appropriate vetting of Business Partners;

5. Approve or disapprove any Payments to Foreign Officials, including without limitation those proposed which fall outside the definition of Routine Government Action or under a statutory exception;

6. Serve as the Port Authority's primary point of contact when communicating with governmental entities on matters related to FCPA compliance, exceptions, reporting, or enforcement;

7. Serve in the capacity of compliance counsel responsible for rendering legal advice and guidance with respect to the FCPA and obligations imposed by regulatory mandates;

8. Delegate to a qualified person any responsibility of the Compliance Officer stated in this paragraph; and

9. Fulfill such other duties as set forth in this Policy.

B. Executive Director and Other Division Chief Officers.

1. Enforce this Policy and associated standards and procedure;

2. Require that persons under their direct or indirect supervision obtain training and execute certifications in a timely manner;

3. Approve/disapprove Payment requests;

4. Vet and hold Business Partners accountable for their actions and the requirements of the Policy; and

5. Commit resources reasonably necessary to ensure Policy compliance.

C. Senior Personnel.

1. Enforce this Policy and associated standards and procedures; and

2. Identify, and suggest to the Compliance Officer, any division or department staff members and others requiring Policy training.

D. Chief Audit Executive.

1. Ensure FCPA compliance risks are considered when undertaking Division/Department Risk Assessments; and

2. Incorporate FCPA compliance into its audit plan at least biennially and conduct audits thereof.

3. Report audit findings related to FCPA compliance to the Port Commission Audit Committee.

E. Commissioners and Employees, and Business Partners.

1. Read and understand the Policy;

2. Fully comply with the Policy and associated standards and procedures, as applicable; and

3. Obtain guidance from the Compliance Officer should questions about such matters arise.

VI. Policy Violations.

A. Reporting Known or Reasonably Suspected Violations. Persons with actual knowledge or a reasonable suspicion that a violation of this Policy has or will occur should promptly report such knowledge or reasonable suspicion. Reports may be made directly to the Compliance Officer, via email at compliance@poha.com, electronically via www.reportlineweb.com/poha, telephonically through the Port Authority Network Hot Line (800-892-2871), or in any manner authorized for reporting misconduct in the Port Authority Misconduct Reporting Policy. Reports may be made anonymously. (*See also*, the Port Authority's Misconduct Reporting Policy, including provisions related to consequences associated with retaliation.)

B. Consequences. Employees violating this Policy are subject to employment action up to and including termination. Business Partners violating this Policy risk the continued opportunity to do business with the Port Authority. The FCPA allows for the civil and criminal prosecution of individuals and, as appropriate to the circumstances, imposition of fines, penalties and/or jail time. Because many countries have laws related to bribery/anti-corruption, prosecution may also occur in more than one jurisdiction. The Port Authority will not be responsible for legal fees, penalties, or other expenses of Business Partners violating the FCPA and may be prohibited by law from making certain expenditures on behalf of Commissioners and Employees.

VII. Questions. Questions regarding this Policy may be directed to the Compliance Officer or, in his absence, the Executive Director. General questions may be submitted to compliance@poha.com.

VIII. Adoption. This Policy was adopted by the Port Commission on April 16, 2018, as evidenced by Minute No. 2018-0416-03.

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