

Port of Houston Authority
OFFICE OF FOREIGN ASSETS CONTROL COMPLIANCE POLICY
APRIL, 2018



I. Scope and Purpose.

A. Based on U.S. foreign policy and national security goals, the U.S. Department of the Treasury Office of Foreign Assets Control (“OFAC”) administers and enforces economic and trade sanctions, against targeted foreign countries and regimes, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction and other threats to the national security, foreign policy, or economy of the United States. Under Presidential national emergency powers, as well as authority granted by specific legislation, OFAC is authorized to impose controls on transactions and freeze assets under U.S. jurisdiction.

B. The Port of Houston Authority (the “Port Authority”) is required by law to act in support of OFAC’s mandate and recognize, stop, or suspend and report suspect foreign transactions. Accordingly, it is the policy of the Port Authority to comply with the applicable laws, and regulations and orders within OFAC’s jurisdiction regarding doing business within the United States and with U.S. citizens, foreign countries, and foreign nationals, including those which may limit or prohibit certain transactions (“OFAC Regulations”).

C. This Office of Foreign Assets Control Compliance Policy (the “Policy”) is implemented to ensure compliance with OFAC Regulations and applies to all Port Commissioners, full- and part-time employees of the Port Authority, and any agents, contractors, vendors, consultants, or other third-party representatives who may act on behalf of, or otherwise provide goods, services, or other items of value to, the Port Authority.

II. Definitions.

A. “Block” means a way of controlling targeted property. Title to the Blocked property remains with the target, but the exercise of powers and privileges normally associated with such ownership is prohibited without authorization from OFAC. A Block imposes an immediate across-the-board prohibition against transfers or dealings of any kind with regard to the property.

B. “Business Partners” means agents, contractors, vendors, consultants, or other third-party representatives that may act on behalf of, or otherwise provide goods, services, or other items of value to the Port Authority.

C. “Compliance Officer” means the Port Authority Chief Legal Officer or the person designated by Port Commission action to serve in the capacity as Compliance Officer.

D. “Prohibited Transactions” means trade or financial transactions and other dealings in which U.S. persons may not engage, unless authorized by OFAC or expressly exempted by statute.

E. “Specially Designated Nationals” means countries, as well as individuals and companies owned or controlled by, or acting for or on behalf of, countries or individuals, groups, and entities, such as terrorists, narcotics traffickers, and any others designated under programs that are not country-specific, whose assets have been Blocked and who are identified on lists published by OFAC. U.S. persons are generally prohibited from dealing with these countries, individuals, groups and entities.

F. “Sanction List” means (i) lists published by OFAC which identifies Specially Designated Nationals and Blocked Persons, or (ii) an annex to an Executive Order identifying such entities.

III. Policy.

A. Prohibited Transactions. The Port Authority shall not enter into agreements or contracts or transact business with countries – including the public ports and other governmental authorities within such countries – individuals, groups, or entities appearing on Sanction Lists, and shall not engage in any transaction prohibited by law or OFAC Regulations. Exceptions to this prohibition, if any, shall be pursued on a case-by-case basis following a process established and managed by the Compliance Officer.

B. OFAC Compliance Review.

1. Agreements, contracts, and transactions shall be reviewed for compliance with OFAC Regulations before sent to the Port Commission for action, if applicable. Agreements, contracts, and transactions not requiring action by the Port Commission shall also be reviewed for compliance with OFAC Regulations before being entered into. The Compliance Officer shall establish and oversee the review process.

2. Port Authority personnel shall exercise vigilance in the transaction of Port Authority business as no two sanction programs are exactly alike, names on sanction lists change and change frequently and factors such as a substantial ownership interest held by a Specially Designated National can trigger responsibility under OFAC Regulations. Accordingly, persons at different levels within the Port Authority should be trained to ensure recognition and suspension or stopping of suspect transactions, and timely reporting.

C. Certain Communications.

1. The Compliance Officer shall be the primary conduit through which communications between the Port Authority and OFAC shall occur.

2. The Compliance Officer shall be promptly advised of communications with Specially Designated Nationals related to contracts, agreements, or transactions with the Port Authority in order to facilitate compliance with OFAC reporting requirements.

D. Training and Certification.

1. All Port Commissioners, Legal Department personnel, division and department heads whose operations entail contracting, agreements, or transactions with third parties, and persons whose job responsibilities include the negotiation of contracts, agreements, or transactions, or the approval of procurements, shall undergo OFAC compliance training. Such training shall be on a recurring schedule as determined by the Compliance Officer but no less often than biennially.

2. The Port Authority shall make available resources reasonably necessary to conduct such training.

3. Port Commissioners and Port Authority employees who are required to be trained under this Policy shall annually certify that he or she understands this Policy and the standards and procedures which may be established hereunder, acknowledges his or her commitment to comply with the Policy, standards, and procedures, and confirms that he or she has no knowledge of any violation of the Policy, standards and procedures by the Port Authority.

E. Periodic Audit Activity. The Port Authority's compliance with OFAC Regulations shall be evaluated as part of its periodic risk assessments and shall be subject to audit.

IV. Responsibilities.

A. Compliance Officer.

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

2. In consultation with Chief Division Officers, establish and/or approve procedures to screen, monitor, and report matters as required by OFAC Regulations and compliance with this Policy;

3. Approve and manage exception requests, if any, including any related submissions to OFAC;

4. Develop, establish, and/or approve standards and procedures to facilitate OFAC compliance;

5. Develop, approve, and administer training and certifications related to OFAC compliance, and to the extent not otherwise addressed in this Policy, correct any unmet training needs;

6. Maintain records and make such periodic and annual reports concerning violations, Blocked property/assets or other matters relating to the OFAC Regulations as may be required by law;

7. Serve as the Port Authority's primary point of contact when communicating with OFAC or associated regulatory bodies on matters related to OFAC compliance, exceptions, reporting, or enforcement;

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

9. Together with the Chief Audit Executive, monitor OFAC compliance and assess ongoing Policy needs;

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

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

B. Chief Audit Executive.

1. Incorporate OFAC compliance in its annual audit plan, and conduct audits thereof.

2. Monitor completion of required training based on reports prepared by the Manager of Training and Development and/or the Internal Audit department.

3. Together with the Compliance Officer, conduct biennial Policy reviews, risk assessments, assessments of Policy needs and, as necessary, revisions of the Policy.

4. Report audit findings related to OFAC compliance to the Port Commission Audit Committee.

C. Executive Director, Chief Division Officers, and Department Heads.

1. Enforce this Policy and associated standards and procedures;

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

3. Conduct OFAC due diligence regarding contracts, transactions, and agreements sponsored by or obtained through the efforts of their staff members, to prevent the Port Authority from entering into Prohibited Transactions;

4. Without limiting the foregoing, before executing or approving a contract or agreement, approving an expenditure or submitting a contract, agreement or transaction for Port Commission action, conduct due diligence to prevent the Port Authority from conducting business with Specially Designated Nationals;

5. Promptly advise the Compliance Officer of communications with or actions by Specially Designated Nationals related to Port Authority business, contracts, agreements, or transactions;

6. With guidance from the Compliance Officer, take appropriate action to Block or reject, if applicable, any prohibited contract, agreement, or transaction and Block any accounts or assets of Specifically Designated Nationals within their control;

7. Monitor the status of, and ownership interests in, Business Partners and make Business Partners aware of and commit to compliance with OFAC Regulations during the course of work performed for or on behalf of the Port Authority; and

8. Commit resources reasonably necessary to ensure Policy compliance.

D. Port Commissioners and Port Authority Employees.

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.

V. 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 OFAC Regulations or this Policy are subject to employment action up to and including termination. Port Authority business partners violating this Policy risk the continued opportunity to do business with the Port Authority. OFAC Regulations allows for the civil and criminal prosecution of individuals and, as appropriate to the circumstances, imposition of fines, penalties and/or jail time. The Port Authority will not be responsible for legal fees, penalties, or other expenses of its business partners violating OFAC Regulations and may be prohibited by law from making certain expenditures on behalf of Port Commissioners and Port Authority employees.

VI. Recordkeeping. All applicable records for OFAC compliance, violations, and audit work papers shall be retained according to OFAC guidelines (which as of the date of approval of this Policy is five (5) years). All reports and records of Blocked or rejected transactions shall be kept for five (5) years.

VII. Reporting to the Audit Committee. The Chief Legal Officer and Chief Audit Executive shall provide reports on Policy compliance to the Audit Committee at least annually, and provide interim reports upon the request of the Audit Committee or upon the occurrence of events that are materially related to the Port Authority's Policy compliance.

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

IX. Interpretation. The Compliance Officer shall interpret the restrictions, requirements, and prohibitions of this Policy in the broadest possible manner to promote the best interests of the Port Authority, and the requirements of Title 31 USC (Money and Finance), 31 CFR Part 500 (Foreign Asset Control Regulations), and other applicable laws, as they may be amended from time to time.

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

Policy Owner: Chief Legal Officer
Policy Version: 2.0
Replaces: Office of Foreign Assets Control Compliance Policy, Version 1.0, adopted February 25, 2014 as evidenced by Minute No. 2014-0225-39.

Effective Date: April 16, 2018

Initial Review Date: April, 2020 and every two years thereafter.