



|  |  |
|--|--|
| <b>Foreign Corrupt Practices Act Policy<br/>(FCPA)</b> |  |
| <b>POLICY ID #: CORP_COMP_002</b>                      |  |
| <b>Implementation Date: 09/01/2012</b>                 | <b>DEPARTMENT: Ethics &amp; Compliance</b> |
| <b>Revision Date: January 2023</b>                     | <b>Approved by: Francisco Velasco</b>      |

## 1.0 POLICY

The FCPA is a federal law of the United States of America. The U.S. Federal Sentencing Guidelines are the regulatory guidelines used by the U.S. Department of Justice in enforcing the FCPA.

The FCPA generally prohibits payments of “anything of value” made with the corrupt intent to induce a foreign (non-U.S.) official. For the foreign official to use his or her action, inaction, or influence to affect a governmental act or decision in a manner that will help a company (or any of its subsidiaries or divisions) to obtain or retain business, have business directed to them, or secure any other improper advantage.

## 2.0 PURPOSE

The purpose of this Policy is to inform PriceSmart employees of FCPA compliance requirements and to explain the risks of non-compliance that apply to the company, as well as the individual employee.

Company employees or agents do not have authority to offer payments or anything else of value directly or indirectly to a foreign official or foreign political party. To induce that official to take any action in his or her official capacity, to influence any government regulatory action or decision helping the Company (or any of its subsidiaries or affiliates) to obtain or retain business, or to secure any other improper advantage for the Company. Furthermore, all books, records, and accounts must accurately reflect all Company- related transactions.

## 3.0 SCOPE

### **The Foreign Corrupt Practices Act and U.S. Federal Sentencing Guidelines**

The FCPA is a federal law of the United States of America. The U.S. Federal Sentencing Guidelines are the regulatory guidelines used by the U.S. Department of Justice in enforcing the FCPA.

The FCPA generally prohibits payments of “anything of value” made with the corrupt intent to induce a foreign (non-U.S.) official. For the Foreign official to use his or her action, inaction, or influence to affect a governmental act or decision in a manner that will help a company (or any of its subsidiaries or divisions) to obtain or retain business, have business directed to them, or secure any other improper advantage.

The FCPA also requires issuers of registered U.S. securities to "make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets" of the issuer. These provisions have been construed to require a parent company's subsidiaries likewise to maintain accurate books and records of all transactions, whether or not the subsidiaries are themselves U.S. entities.

**Anything of value** is not defined by the statute, but judicial rulings and enforcement settlements make clear it should be read literally and should not be limited to payments of money. The phrase has been interpreted by courts as encompassing a wide array of tangible and intangible items, including “things” on which it may be difficult, or even impossible, to place a monetary value (e.g. the favorable testimony of a witness). Prohibited things “of value” can include in-kind gifts, entertainment, loans, internships, speaking opportunities, and any other benefit (including charitable donations) whose purpose is to corruptly influence a decision. The prohibited payment could be made to obtain or retain business for the Company and/or its subsidiaries. It could also be made to obtain legislation, regulations or rulings to benefit the Company's business. In this regard, the Company also prohibits employees from using their personal funds to provide payments to *foreign officials* or foreign political parties.

A **foreign official**, for purposes of the FCPA, is an officer or employee of a foreign government or department or agency, or any person acting in an official capacity for or on behalf of such government, department or agency. Officers of state owned and operated enterprises are generally deemed foreign officials under the FCPA. The term foreign official also includes political party officials and candidates for political office.

**Corrupt** payments for purposes of the act are payments intended to induce a *foreign official* to misuse his or her official position or to fail to perform an official function, with the expectation, such action or non- action will benefit the payer in some way. By focusing on intent, the FCPA does not require that a corrupt act succeed in its purpose.

Culpability for prohibited payments cannot be avoided by the use of third parties. Payments to attorneys, consultants, advisors, suppliers, and customers of the Company, while knowing, or having reason to believe, that all or a portion of such payments will be offered, given, or promised to *foreign officials* for any of the prohibited purposes stated above, are treated as violations of the law. Note: Liability can also not be avoided by willful disregard or deliberate ignorance of the facts.

Similarly, a foreign official can be deemed under the FCPA to benefit payments of things of value made to the official's family members or other close personal associates.

There is an exclusion from coverage under the FCPA, but not under this policy, for so-called “grease” or “facilitating payments,” which are payments to expedite or secure routine government supervisory actions. Although true facilitation payments are allowed under the FCPA, they are illegal according to many local laws. Therefore, **it is PriceSmart's Policy to prohibit, employees and third-parties acting on behalf of PriceSmart, from facilitating payments to secure routine government actions.**

The consequences of failing to comply with the FCPA are potentially disastrous for PriceSmart and its employees. Violation of the FCPA can result in costly investigations, adverse publicity, reputational damage, and very significant penalties to either or both, including multi-million dollar fines against the Company and the requirement to hire a corporate third party monitor. Such violations can also subject employees to prosecution, criminal fines, and imprisonment. The Company will take all necessary disciplinary action – potentially, depending on the facts and circumstances, up to and including termination – against employees violating this Policy.

#### **Required Approval of Payments Upon Request By Foreign Official**

In the event any *foreign official* requests any PriceSmart employee to provide an official with anything of value (including a gift), the PriceSmart employee should immediately contact the Ethics and Compliance Manager.

Accordingly, no **PriceSmart memberships or cards** may be given free of charge to foreign officials, foreign political parties, officials thereof, or candidates for foreign political office without the prior, express, written approval of the Company's General Counsel. Further, no meals, travel expenses or other entertainment expenses may be paid for, or reimbursed to, foreign officials, without first contacting the Ethics and Compliance, to inform of such payments, and to obtain written approval from the Company's General Counsel.

Similarly, no charitable donations may be given at the request of any foreign official or political party without the prior, express, written approval of the Company's General Counsel.

Further, no **local agents or consultants** that may be expected to be in contact with foreign officials to request governmental authorizations on the Company's behalf or in order to fulfill their responsibilities should be retained without prior, express, written approval of the Company's General Counsel.

Finally, any **payments to suppliers, consultants, or advisors, and customers, which are questionable in any respect under the above guidelines**, must first be pre-approved by the Ethics and Compliance, and, once approved, in order to submit final payment, obtain written approval from the Company's General Counsel.

### **FCPA Regional Support**

Ethics and Compliance leads an initiative to establish regional level FCPA support and training, through an Ethics and Compliance program (see item 4.6)

In addition to discussing any potential FCPA matters with the ECCs or the Ethics and Compliance Manager, any employee may always contact the Company's "Hotline Network" to report any concerns about any potential FCPA violation, utilizing the following numbers: USA: (844) 742-7310; All other countries can call collect: (503) 459-2682 English; (503) 495-2683 Spanish

### **Violation "Red Flags"**

Certain factors mandate particular attention, by all Company employees, to the risk of an FCPA violation. Examples include:

### **Accounting and Record Keeping Compliance**

To ensure FCPA compliance:

- Any payments of meals, travel expenses or other entertainment expenses of *foreign officials* must be pre-approved, in writing, by Ethics and Compliance. All requests for expense reimbursement involving any *foreign official* or foreign political party must include the name and position of that official, as well as the business purpose.
- The Company's Accounting Departments in all locations must "make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect" the transactions of the Company and the disposition of the Company's assets and which include financial statements, general ledgers, invoices, receipts and expense reports.
- The Company's Accounting Departments in all locations must "maintain a system of internal accounting controls sufficient to provide reasonable assurances" that the Company's books, records and accounts accurately and fairly reflect in reasonable detail the Company's transactions and dispositions.
- The Company's Internal Audit Department shall regularly review the financial and accounting records of the Company for any unusual transactions or trends that may suggest that a violation of the FCPA has occurred. As part of this review the Internal Audit Department should: (i) test invoices to or on behalf of *foreign officials*, as well as for fines, penalties or charitable donations; (ii) test travel and entertainment expenses; (iii) test contracts with third parties for required FCPA language (see part VII, below); (iv) test invoices from third parties that interact with *foreign officials* on behalf of the Company; and (v) interview local employees to evaluate their awareness of this Policy.

## **Doing Business with Third Parties Who Perform Services For PriceSmart**

As a general principle:

Whenever PriceSmart employees wish to retain an individual or company to provide services or goods to PriceSmart, and there exists the possibility that such individual or company *may* be in contact with a *foreign official* when fulfilling its obligations to PriceSmart, due care must be taken such that reasonable FCPA related training and controls are in place. The training and controls should be designed to help avoid the possibility that, unbeknownst to PriceSmart employees, such individual or company may violate the FCPA when acting for, or on behalf of, PriceSmart or PriceSmart's interests.

What constitutes "reasonable training and appropriate controls" will vary, depending upon the nature of the services or goods to be provided to PriceSmart by such individual or company. Accordingly, when a PriceSmart employee is planning to retain such an individual or company, the employee shall consult with Ethics and Compliance to determine the nature and extent of the FCPA training and controls that are applicable. The following minimum practices should be followed when retaining third parties who may be in contact with *foreign officials*:

Due diligence background checks, including obtaining references and, wherever applicable, contact with the local US Embassy should be performed;

Contractual agreements with third-parties should include a provision requiring compliance with the FCPA, including completion of PriceSmart's third-party FCPA training, stating termination rights in case of an FCPA violation, and a right to audit clause; and

Complete periodic FCPA training assigned to the third parties by the Company.

Depending on the circumstances, Ethics and Compliance may require other risk-based measures such as requesting an International Company Profile on prospective third party service providers from the U.S.

Commercial Service of the Department of Commerce. An enhanced due diligence researching media and other publicly available information in relevant countries and regions performed by or at the direction of the Company's counsel.

### **FCPA Compliance Training and Awareness**

The FCPA requires that all employees who may have direct or indirect (i.e., through intermediaries) contact with foreign officials receive periodic anti-corruption training. Under the directives of the General Counsel, the Compliance Department should design and conduct periodic FCPA training to employees, who in the course of their business, may have contact with foreign officials. Consequently, at least once every 24 months, in accordance with the FCPA Training Schedule, a Legal Department or Compliance Representative conducts in person, or assigns on-line FCPA training to: In-Country PriceSmart employees that are Supervisor level and above; and employees, selected by the Club or Country Manager, who may interact with government officials. Additionally, on-line FCPA training is assigned to each of the Company's Controllers, for each country in which PriceSmart operates. All attendees sign a log or online certificate acknowledging having received the FCPA training; records of on-line assigned training are also maintained. In addition, in-person FCPA presentations are periodically made to Senior Officers and Internal Auditors.

### **Non-Compliance with This Policy: Disciplinary Action**

This Policy applies to all employees, directors, officers, agents, consultants and representatives of the Company and its subsidiaries and divisions world-wide, in their transactions with, and on behalf of, the Company. This policy also extends to Intermediaries who conduct business on behalf of the Company. Failure to comply with this Policy may result in significant civil and criminal penalties for the Company and the individuals involved and are grounds for disciplinary action against such individuals, up to and including termination.

The Company may take all necessary disciplinary action—up to and including termination—against any employee violating this Policy and/or the FCPA.

#### **4.0 RESPONSIBILITIES:**

It is the responsibility of Ethics and Compliance to keep the policy updated, due to not only changes or amendments to the laws and regulations, but to its content and its relevance with the Company's Compliance Program.

**5.0 AUTHORITY:** Francisco Velasco, EVP, Corporate Secretary, General Counsel and Chief Ethics and Compliance Officer

**6.0 REVIEW & APPROVAL:** This policy was reviewed by the Associate Director, Ethics and Compliance, Jaime Quirindongo and approved by Francisco Velasco, Executive Vice President — General Counsel, Chief Ethics & Compliance.

**7.0 REVISIONS AND UPDATES:** policy was revise on 01/03/2023.

#### **8.0 CONTACT INFORMATION:**

##### **Associate Director, Ethics and Compliance**

Jaime Quirindongo  
11441 NW 107 Street  
Miami, Florida 33178  
Mobile: +1 (858) 220 - 5071  
E-Mail: [jquirindongo@pricesmart.com](mailto:jquirindongo@pricesmart.com)

##### **The Office of Ethics and Compliance**

- Francisco Velasco – General Counsel and Chief Compliance Officer - [fvelasco@pricesmart.com](mailto:fvelasco@pricesmart.com)
- Jaime Quirindongo – Associate Director, Ethics and Compliance - [jquirindongo@pricesmart.com](mailto:jquirindongo@pricesmart.com)
- Edith Alonzo – Sr. Risk and Compliance Analyst - [ealonzo@pricesmart.com](mailto:ealonzo@pricesmart.com)
- Cintia Silva - Corporate Compliance Investigator - [csilva@pricesmart.com](mailto:csilva@pricesmart.com)
- Luis Marinez - Corporate Paralegal - [lmarinez@pricesmart.com](mailto:lmarinez@pricesmart.com)