



# Contents.

<b>1. Overview</b>	<b>1</b>
1.1 Introduction	1
1.2 Objective (s)	1
1.3 Applicability	1
<b>2. Economic Sanctions Laws and Regulations</b>	<b>2</b>
2.1 Frequently Asked Questions	2
2.2 Background on U.S. Economic Sanctions	3
2.3 Prohibitions	5
2.4 Enforcement	6
<b>3. Policy Requirements</b>	<b>7</b>
3.1 Risk Assessment of Global Trade Laws, Regulations and Economic Sanctions	7
3.2 Internal Controls	8
3.3 Training	9
3.4 Conflicts of Law	9
3.5 Responsible Party	9

# 1. Overview.

## 1.1 Introduction

Techtronic Industries Company Limited (“TTI” or “the Company”) is committed to operating in accordance with the highest ethical standards and applicable laws, rules and regulations. Export/Import Control Laws and Regulations and Economic Sanctions are tools of foreign policy used by governments to meet national security, anti-terrorism, non-nuclear proliferation, crime control and human rights objectives.

## 1.2 Objective(s)

The objective of this Policy is to:

- Explain export/import control laws, regulations and economic sanctions
- Set out the rules, standards, and expectations that TTI and its suppliers must abide by to ensure that the Company remains in compliance with all applicable export/import control laws, regulations and economic sanctions laws
- Provide guidelines for TTI employees and suppliers to assist them in establishing procedures and actions for maintaining compliance

For questions regarding this Policy or any global trade transaction or matter, please contact Tim Rolland, Group Vice-President, Global Trade Compliance, at [tim.rolland@ttihq.com](mailto:tim.rolland@ttihq.com) or via mobile telephone (or text message) at TTI’s U.S. Corporate Headquarters in Fort Lauderdale, FL at +1.954.551.8205.

## 1.3 Applicability

This Policy applies to:

- All TTI employees at all its operations and entities, including subsidiaries, affiliates, joint-ventures, and other related entities in which TTI owns fifty (50) percent or more interest, (collectively referred to as “TTI”)
- All TTI suppliers, including indirect suppliers selling to TTI suppliers at any point in the supply chain

# 2. Economic Sanctions Laws and Regulations.

## 2.1 Frequently Asked Questions

### 2.1.1 What are economic sanctions?

Economic sanctions are a tool used by governments and multinational bodies to attempt to change behavior of the sanctioned target. Sanctions laws and regulations vary widely in their scope to meet national security and foreign policy objectives - which change based on circumstances and time. Economic sanctions typically target governments, individuals or entities that are seen as a threat or are violating international norms. Economic sanctions can be multilateral, i.e., promulgated by the European Union or United Nations or promulgated unilaterally by a single country's government, for example, the U.S. Government's embargo against Cuba.

### 2.1.2 What is the purpose of economic sanctions?

Economic sanctions are designed to punish and change behavior, which is typically done by restricting trade (import or export of goods or services) with the targeted party and depriving that party of access to assets (money or property). When the U.S. Government, for example, imposes economic sanctions against another country, entity or individual, U.S. law often prohibits U.S. persons (as defined below) from engaging in any transaction with or providing any service for the benefit of the sanctioned country, entity or individual.

### 2.1.3 Why is compliance important?

Non-compliance – or even the appearance of non-compliance – may place the Company at serious legal, financial, and reputational risk and may result in substantial civil sanctions for both the Company and its employees. Egregious cases can result in criminal proceedings. Accordingly, any employee who violates this Policy may be subject to disciplinary action up to and including termination.

### 2.1.4 Helpful Sanctions Websites:

European Commission Sanctions Homepage:

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/sanctions\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/sanctions_en)

U.S. Government Sanctions Homepage:

<https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>

United Nations Security Council Sanctions Homepage:

<https://www.un.org/securitycouncil/sanctions/information>

# 2. Economic Sanctions Laws and Regulations

## 2.2 Background on U.S. Economic Sanctions

Because U.S. economic sanctions impact TTI enterprise-wide cross-border transactions that occur outside of the United States, (i.e., extraterritorial in nature) this Policy contains an in-depth overview of the U.S. economic sanctions program.

The Office of Foreign Assets Control (“OFAC”) at the United States Department of the Treasury administers and enforces the main U.S. sanctions programs against targeted countries, organizations, and individuals.

U.S. sanctions apply to “U.S. persons,” which includes persons and entities. U.S. persons are individuals who are citizens or permanent residents of the U.S. regardless of their location in the world and any individual (even if not a U.S. citizen or resident) physically located in the United States. With respect to corporate entities, U.S. persons includes U.S. subsidiaries and U.S. and foreign branches. Due to the interdependencies of TTI’s global corporate structure, **all of TTI’s U.S. and foreign subsidiaries and branches are considered to be U.S. persons for purposes of U.S. sanctions compliance.**

OFAC has wide latitude to interpret and enforce the sanctions programs based on the goals of the U.S. Government. In general, OFAC targets are either countries or individuals designated on OFAC’s List of Specially Designated Nationals and Blocked Persons (“SDN List”). While country-based restrictions vary by program, with respect to parties designated on the SDN List, U.S. persons are not permitted to have any dealings whatsoever with those parties (unless specifically authorized by OFAC via a prior-approved, specific license or other written authorization). Such prohibited dealings include any payments, benefits, the provision of services, or otherwise. **The SDN List prohibitions also apply to entities owned 50% or more by one or more SDNs, even if the party in question is not designated on the list itself.** As a result of the application of sanctions to entities that are not specifically listed but that are owned by SDN interests, due diligence (e.g., understanding ownership structure of an entity with whom TTI does or intends to do business) is an important feature of this Policy, depending on the transaction being contemplated. Depending on the particular facts of a proposed transaction, prior enhanced due diligence by TTI’s Law Department may be required. If any question exists regarding ownership of an entity, TTI personnel must request in writing a review and approval by the business’s General Counsel, Group Vice-President of Global Trade Compliance and TTI’s Vice-President and General Counsel prior to entering into meaningful contact with the entity in question.

It is the policy of our Company to refrain from any dealings whatsoever with entities that are on the SDN List, or entities owned 50% or more by SDNs unless prior written approval is received from OFAC, or collectively from the business unit’s General Counsel, Group Vice-President of Global Trade Compliance and TTI’s Vice-President and General Counsel.

The SDN List is updated often, and is available on OFAC’s website <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>. The SDN List is also available through filtering solutions on certain technology platforms established by business units throughout TTI and an internet-based lookup tool that TTI has licensed (e.g., Descartes).

# 2. Economic Sanctions Laws and Regulations

## 2.2 Background on U.S. Economic Sanctions

OFAC sanctions can be summarized as follows: (i) comprehensive, (ii) limited and (iii) list-based. The chart below explains each category in more detail and lists country targets and list-based programs.

Category	Description	Targets / Programs
<b>Comprehensive</b>	Comprehensive sanctions prohibit U.S. persons from dealing in any manner with sanctioned countries and their governments.	<ol style="list-style-type: none"> <li>1. Cuba</li> <li>2. Iran</li> <li>3. Crimea Region (disputed region between Ukraine and Russia)</li> <li>4. North Korea</li> <li>5. Syria</li> <li>6. Venezuela</li> </ol>
<b>Limited</b>	Limited sanctions programs prohibit U.S. persons from participating in certain types of transactions or with certain persons associated with a country or region. Prohibited activities vary from program to program, however, in most cases involving the limited programs targeted individuals and companies are designated on the SDN List.	<ol style="list-style-type: none"> <li>1. The Balkans – Related</li> <li>2. Belarus</li> <li>3. Burundi – Related</li> <li>4. Central African Republic</li> <li>5. The Democratic Republic of the Congo</li> <li>6. Iraq – Related</li> <li>7. Lebanon – Related</li> <li>8. Libya</li> <li>9. Magnitsky</li> <li>10. Mali-Related</li> <li>11. Nicaragua-Related</li> <li>12. Rough Diamond Trade Controls</li> <li>13. Somalia</li> <li>14. Sudan and Darfur</li> <li>15. South Sudan – Related</li> <li>16. Ukraine/Russia – Related</li> <li>17. Yemen – Related</li> <li>18. Zimbabwe</li> </ol>
<b>List Based</b>	List-based sanctions prohibit U.S. persons from dealing with individuals, entities and organizations that have been targeted by the U.S. Government due to certain activity. Like the limited country programs, these targeted parties are placed on the SDN List.	<ol style="list-style-type: none"> <li>1. Foreign interference in a U.S. election</li> <li>2. Terrorism and terrorist organizations</li> <li>3. Narcotics trafficking</li> <li>4. Persons involved in the proliferation of weapons of mass destruction</li> <li>5. Persons involved in cyber-related threats</li> <li>6. Transnational criminal organizations</li> </ol>

## 2. Economic Sanctions Laws and Regulations

### 2.3 Prohibitions

As explained above, there are different types of sanctions programs with varying breadth and scope. Some U.S. economic sanctions programs prohibit U.S. persons from engaging in almost all business transactions with or in a sanctioned country, and other programs prohibit only certain specified transactions or dealings with certain individuals. For comprehensively sanctioned countries and any designated entity, U.S. law prohibits Direct and Indirect Dealings.

- **No Direct Dealings** – U.S. persons are prohibited from transacting in any way with sanctions targets, both sanctioned countries and SDNs. This includes the provision, directly or indirectly, of goods, services or any benefit to the target at any point in the Company’s supply chain. U.S. law generally prohibits direct and indirect imports from the targeted countries.<sup>1</sup>

- **No Indirect Dealings**

Facilitation – U.S. law generally prohibits U.S. persons from “approving or facilitating” dealings with sanctioned countries or parties by non-U.S. persons. For example, a U.S. person would be considered to “facilitate” dealings with a sanctioned country by referring prohibited business to a non-U.S. entity. This prohibition generally prevents approval, financing, or other support of such transactions, including any technical or operational support from a U.S. company.

Evasion – U.S. law generally prohibits transactions that evade, or have the purpose or effect of evading, other OFAC prohibitions. For example, if U.S. sanctions prohibit the Company from undertaking a transaction, the Company must not help the customer find an alternative way to complete the transaction.

<sup>1</sup> This prohibition generally does not apply to goods originating in a target country that are “substantially transformed” in a third country.

## 2. Economic Sanctions Laws and Regulations

### 2.4 Enforcement

OFAC sanctions are strict liability and do not depend on whether or not the individual or the Company knew that the activity violated U.S. law or whether or not there was intent to violate U.S. law. Civil and criminal penalties may be imposed on the individual or the Company. The penalties for violating U.S. sanctions laws or regulations vary, but can be severe.

#### 2.4.1 Personal Liability

Individuals may be subject to civil fines up to \$250,000 per violation. Individuals who willfully commit violations of U.S. sanctions can be subject to criminal penalties, including fines up to \$1 million and/or imprisonment up to 20 years per violation. In addition, failure of an employee to comply with this Policy may be grounds for disciplinary action, up to and including termination and loss of employment-related benefits.

#### 2.4.2 TTI Liability and Damage to Public Reputation

The Company may be subject to civil fines up to \$250,000 per violation and possible criminal prosecutions and fines up to \$1 million for each willful violation of U.S. sanctions laws or regulations. It is also possible that violations may expose the Company to cease-and-desist orders and to being barred from doing business with the federal or state governments. Finally, violations may result in adverse publicity for the Company and may have a serious effect upon the Company's business reputation for integrity.

Officers and directors who participate in violations of U.S. sanctions may also be subject to civil or criminal penalties for their actions.

#### 2.4.3 European Commission/European Union Economic Sanctions

Economic sanctions are an essential tool of the European Union's ("EU") Common Foreign and Security Policy (click [https://eeas.europa.eu/topics/common-foreign-security-policy-cfsp\\_en](https://eeas.europa.eu/topics/common-foreign-security-policy-cfsp_en) for more on this policy) and therefore utilized by the EU as part of a comprehensive foreign policy and national security strategy to foster international peace and security. Similar to the U.S. and other countries' sanctions programs, the EU utilizes sanctions to effect change in the policy or conduct of targeted governments, entities, groups, organizations and/or persons (including arms embargoes, trade restrictions such as import and export bans, financial restrictions and restricting movement of people via visa or travel bans). EU sanctions are deployed in a manner to minimize adverse effects on non-intended targets (click <https://sanctionsmap.eu/#/main> for a map of countries currently subject to EU sanctions).

#### 2.4.4 U.S. and Non-U.S. Export and Import Control Laws and Regulations

Nearly all countries in which TTI sells its products or conducts business impose export and import controls to protect national security interests and promote foreign policy objectives. Many of these countries also participate in various multilateral export control regimes (e.g., Wassenaar Arrangement) to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material.

In the United States, for example, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") controls the export and re-export of commercial goods (i.e., TTI's products, technology, software and services), dual-use goods and certain munitions. The U.S. Department of Homeland Security's Bureau of U.S. Customs and Border Protection controls the import of TTI's products into the U.S. and enforces other U.S. Department and Agency laws and regulations. In the United Kingdom, the agency with jurisdiction over the export of commercial, dual-use goods is the Department of International Trade which is part of the Department for Business, Energy and Industrial Strategy ("BEIS").

Despite TTI's products being commercial in nature, TTI must comply with local and other non-local applicable economic sanctions and export/import control laws and regulations when effecting exports or imports to ensure compliance.

# 3. Policy Requirements.

This Policy is of a general nature as it covers all TTI companies. Each individual employee is responsible for reading and complying with this Policy. The Policy may be supplemented with procedures for implementation as necessary.

## 3.1 Risk Assessment of Global Trade Laws, Regulations and Economic Sanctions

Risk assessments and audits will be conducted to determine risk in the Company's policies and procedures and operations, including customers, products and services being provided, website access, business relationships (procedures for reviewing vendors providing goods or services to the Company, as well as the Company's supply chain), intermediaries, counterparties, transactions, and geographic locations to determine the appropriate screening and due diligence procedures.

The Group Vice-President of Global Trade Compliance, in concert with Internal Audit and the Business Unit General Counsels, will perform, or cause to be performed, the periodic risk assessments and/or audits to evaluate whether there have been any changes in law, practices or the business that would warrant an adjustment to this Policy. The necessary steps will be taken to address any adjustments, including, but not limited to, amending the Policy, re-training under the Policy and the correction of any deficiencies to ensure compliance.

# 3. Policy Requirements

## 3.2 Internal Controls

Each TTI company shall have reasonable internal controls in place to ensure compliance with all applicable laws and regulations and this Policy. The Group Vice-President of Global Trade Compliance will provide any needed guidance that TTI business function areas might need to implement policies and internal controls tailored to the Company's operations to appropriately mitigate its export/import control laws, regulations and economic sanctions compliance risks.

Each TTI company shall have appropriate risk-based procedures to screen parties with which TTI contracts or engages in any transaction against the SDN List and sanctioned countries, as well as other applicable denied, debarred or otherwise embargoed or sanctioned lists, before entering any contract or otherwise completing a transaction with that party. TTI has access to appropriate technologies to allow for real-time screening of transactions.

Any third parties with whom a TTI company has dealings, including but not limited to customers, business partners, counterparties, vendors, suppliers, and employees, should be screened against the SDN List and other above-referenced lists to ensure compliance with this Policy. In connection with the aforesaid screening, third party data (e.g., name and address, including country) should be screened prior to meaningful contact with an entity or person - which means prior to entering into a business dealing with the third party. In addition, third party data in each TTI company's databases should be screened periodically to detect changes since the initial screening (e.g., in case the third party has been added to the SDN List). In some cases, it might be determined when third party data should also be screened when there is a change to the data (e.g., change of name or address).

TTI's Law Department requires all TTI businesses to report in writing proposed transactions, or suspected violations, that may involve sanctioned countries or persons (including applicable denied, debarred or otherwise embargoed or sanctioned persons or entities lists) to the business unit's General Counsel, TTI's Group Vice-President of Global Trade Compliance and TTI's Vice-President and General Counsel for review and adjudication and/or investigation as appropriate.

Screening often results in "false hits" – that is, names that match (in whole or in part) information on the SDN List, but that are in fact different entities or individuals than those on the SDN List. If a "hit" is questionable, the matter must be reported to the business unit's Trade Compliance Lead to determine whether a "hit" is "true" or "false" and recommend appropriate action. Where doubt continues to exist, or a suspected violation has occurred, the business unit's Trade Compliance Lead will escalate the matter to the Group Vice-President of Global Trade Compliance who in turn will escalate, where warranted, to the Vice-President and General Counsel for final adjudication – including disclosure to OFAC.

If a TTI company outsources certain operations to a vendor, the TTI company must ensure that any screening or control that this Policy would require the local operating company itself to perform for such operations is appropriately performed by the vendor to whom the operation is outsourced. Future outsourcing contracts subject to this obligation (including renewals, extensions, or amendments of existing outsourcing contracts) should include binding and enforceable contractual provisions on the third party's obligations for screening and controls.

To ensure that the adopted policies, procedures and internal controls are being followed, TTI should monitor, assess and/or audit their operations. The Group Vice-President of Global Trade Compliance, in concert with Internal Audit (or delegates), will have responsibility for the compliance monitoring function. A compliance or audit checklist to be used by each TTI company will be created by the Group Vice-President of Global Trade Compliance (or delegate) and tailored as appropriate for TTI. If a weakness is identified, the Group Vice-President of Global Trade Compliance, in concert with Internal Audit, shall ensure that the Company takes immediate remedial action to address the root cause.

# 3. Policy Requirements

## 3.3 Training

The Group Vice-President of Global Trade Compliance (or delegates) will have responsibility for the compliance training function under this Policy. This position will have primary responsibility for the preparation and dissemination of training programs to all applicable TTI employees and to assist TTI companies in properly communicating and training on policies, procedures and internal controls applicable to those employees who have responsibility for the implementation of the requirements of this Policy.

All official training records, including name, title and contact information of each trainee, as well as course title and length of training session, shall be retained by the business units.

## 3.4 Conflicts of Law

In some instances, economic sanctions (and export/import control laws and regulations) imposed by one country are opposed by other countries for national security and foreign policy reasons of their own (e.g., blocking-type statutes). Notable examples include the Canadian opposition to the U.S. unilateral embargo of Cuba. These conflicts present special compliance challenges for companies that do business internationally. All matters involving conflicts of this type should be referred to the Vice-President of Global Trade Compliance to address potential legal risks under all applicable laws.

## 3.5 Responsible Party

TTI's General Counsel, Assistant General Counsel or Vice-President of Global Trade Compliance (or delegate) shall assess the adequacy of the Policy periodically and approve any changes to the Policy.

