ENFORCEMENT INFORMATION FOR March 27, 2019

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (OFAC) regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

Stanley Black & Decker, Inc. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations Committed by its Chinese-Based Subsidiary Jiangsu Guoqiang Tools Co. Ltd.: Stanley Black & Decker, Inc. ("Stanley Black & Decker"), a company based in New Britain, Connecticut, on behalf of itself and its subsidiary located in China, Jiangsu Guoqiang Tools Co. Ltd. ("GQ"), has agreed to pay $1,869,144 to settle its potential civil liability for 23 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR). Specifically, between on or about June 29, 2013 and on or about December 30, 2014, GQ exported and attempted to export 23 shipments of power tools and spare parts, with a total value of $3,201,647.73, to Iran or to a third country with knowledge that such goods were intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran, which would have been prohibited if engaged in by a U.S. person, under §§ 560.203 and 560.204 of the ITSR. These transactions appear to have violated § 560.215 of the ITSR (referred to hereafter as the "Apparent Violations").

OFAC determined that Stanley Black & Decker voluntarily self-disclosed the Apparent Violations on behalf of GQ, and that the apparent violations constitute an egregious case. The statutory maximum civil monetary penalty amount for the Apparent Violations is $6,922,757, and the base civil monetary penalty amount for the Apparent Violations is $3,461,378.

Stanley Black & Decker began acquisition negotiations with GQ in 2011, during which it engaged in due diligence and discovered GQ exported to Iran. Stanley Black & Decker took steps to encourage GQ to cease sales to, and transactions with, Iran prior to the acquisition date and made ceasing such sales a prerequisite condition of the closing. GQ's representatives agreed to these terms and conditions. In May 2013, Stanley Black & Decker acquired a 60 percent interest in GQ and created a joint venture with the firm.

Subsequent to its acquisition of GQ, Stanley Black & Decker provided a series of trainings to GQ's employees on the company's business conduct guidelines, the Foreign Corrupt Practices Act, and sanctions. Specifically, in early August 2013 a Stanley Black & Decker Global Trade Compliance for China employee reviewed the company's trade compliance policies and procedures with GQ's Manager for Export Sales by telephone. After this one training session, the individual who conducted the training asked the GQ Manager for Export Sales to provide the same training to her team within GQ, and to designate two members of her team to attend additional training on a customer screening tool. However, Stanley Black & Decker did not implement procedures to monitor or audit GQ's operations to ensure that its Iran-related sales did not recur post-acquisition.

Despite the written agreements GQ's senior management executed in which they attested that GQ would not engage in transactions with Iran, and notwithstanding the above-referenced trainings Stanley Black & Decker provided, GQ continued to export goods to Iran throughout 2013 and 2014. Once Stanley Black & Decker became aware of the potential violations of U.S. economic sanctions, it initiated an internal investigation, subsequently hired a third-party independent investigative company, and ultimately reported the matter to OFAC.

Stanley Black & Decker's internal investigation determined various GQ board members and senior management participated in these activities with knowledge that such conduct violated its parent company's policies and U.S. economic sanctions against Iran. These personnel and other GQ employees appear to have engaged in non-routine business practices in order to conceal and facilitate GQ's prohibited exports to Iran. GQ utilized six trading companies as conduits for these sales — four companies located in the United Arab Emirates and two companies located in China. In addition, GQ employees created fictitious bills of lading with incorrect ports of discharge and places of delivery and instructed their customers not to write "Iran" on business documents, such as bills of lading.

For more information regarding the conduct that led to the apparent violations, please see the Settlement Agreement between OFAC and Stanley Black & Decker here.

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A.

OFAC considered the following to be aggravating factors:

(1) GQ, and its senior management, including two board members and an export sales manager, willfully violated the ITSR when it exported and attempted to export, reexport, sell, or supply power tools and spare parts directly or indirectly to Iran with knowledge that such activities constituted apparent violations of U.S. economic sanctions regulations and laws;

(2) GQ caused harm to the objectives of the ITSR by conferring an economic benefit to Iran over an 18-month period, in a systematic scheme involving a series of transactions that occurred on a continuing basis; and

(3) GQ is a sophisticated company with a history of extensive export operations, with executive leadership who had knowledge of U.S. economic sanctions.

OFAC considered the following to be mitigating factors:

> (1) Neither Stanley Black & Decker nor GQ have received a penalty notice or Finding of Violation from OFAC in the five years preceding the earliest transaction giving rise to the apparent violations;
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> (2) Upon learning of GQ's apparent violations, Stanley Black & Decker implemented immediate and substantive remedial efforts, including halting all GQ exports, hiring an independent investigator; and
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> (3) Stanley Black & Decker cooperated with OFAC's investigation by conducting an extensive investigation and producing the results to OFAC, responding to OFAC's requests for additional information with detailed records and meaningful clarifications, and signed multiple tolling agreements to extend the statute of limitations.

Consistent with its Settlement Agreement with OFAC, Stanley Black & Decker has committed to enhancing GQ's compliance procedures by ensuring that it has a management team in place that: (1) is committed to a culture of compliance; (2) conducts regular risk assessments to ensure that its internal controls appropriately mitigate the entity's sanctions-related risks; (3) conducts regularized audits; and (4) provides ongoing sanctions compliance training throughout GQ.

This enforcement actions highlights the importance for U.S. companies to conduct sanctions-related due diligence both prior and subsequent to mergers and acquisitions, and to take appropriate steps to audit, monitor, and verify newly acquired subsidiaries and affiliates for OFAC compliance. U.S.-owned or -controlled foreign subsidiaries are subject to the ITSR and U.S. person parent companies may face potential exposure to civil monetary penalties vis-à-vis the actions of their foreign subsidiaries. Foreign acquisitions can pose unique risks that U.S. person parent companies need to address fully at all stages of its relationship with the subsidiary. U.S. parent companies are encouraged to take steps to mitigate risk to sanctions exposure, including by addressing known deficiencies like unconventional record-keeping practices, and any hindrances to monitoring, auditing, or investigating the foreign subsidiary's operations. Testing of compliance procedures and timely auditing of subsidiaries can mitigate the risk of exposure to U.S. economic sanctions violations. For more information regarding OFAC regulations, please go to: www.treasury.gov/ofac.