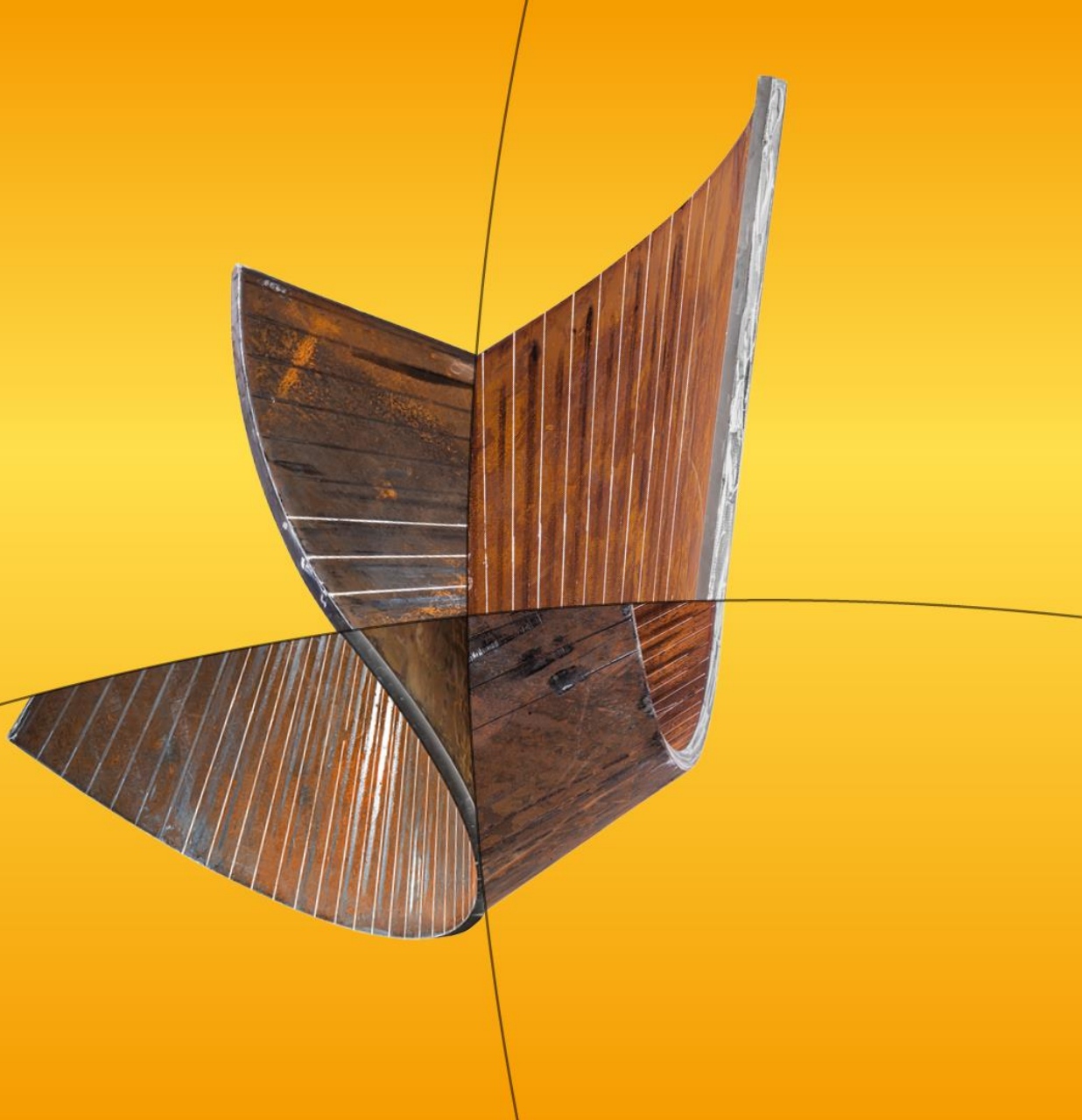


# Internal Compliance Program



## 1. Introduction

International business activities are subject to various export control laws and sanction programs. Violation of these laws and programs may result in significant fines and may cause substantial reputational damage. This Annex "Internal Compliance Program (ICP)" focuses on EU and US export control laws and sanctions programs. Export control laws and sanctions programs of other countries may also apply in concrete situations.

The description below provides high-level information on very complex regulations and in case of doubt prior legal advice should be obtained. For questions you should contact your supervisor, Group CFO or Corporate Management. In addition, special care should be taken in relation to any potential direct or indirect business with companies or individuals in Cuba, Iran, North Korea, Sudan or Syria. In such cases you should first contact your supervisor, Group CFO or Corporate Management before taking any other actions.

This ICP describes the internal control measures in place to ensure compliance with applicable export control laws and regulations.

EU and US export control laws prohibit or regulate the export, re-export and transit of certain goods, technology, services, knowledge and software.

- a) With specified potential end-users,
- b) to specific end-users (such as Al-Qaida & Taliban associated individuals) and
- c) to embargoed countries, such as Iran, North Korea, Sierra Leone or Afghanistan.

EU and US export control laws also apply to the rendering of technical assistance with regard to such products or services. If export control laws apply and export is prohibited, an export license is required or the export is otherwise regulated.

### **EU export controls**

EU export control laws apply to export of dual-use military products or services. Dual-use products or services can be used for both civil and military purposes. The export of dual-use products or services is subject to the EU Dual-use Regulation, which requires prior authorization for additional and intra-EU exports of certain products or services. Examples include components for nuclear devices, aircraft parts and high pressure valves for propulsion. EU countries may require additional authorization requirements for the export of dual-use products or services.

### **US export controls**

The US export administration regulations (EAR) apply to exports of products or services of US origin (produced in or originated from the US) as well as foreign products of which a certain proportion is of US origin (material or technology). The products or services subject to the EAR are listed in the US Commerce Control List (CCL). Whether the export is prohibited or requires a license depends on the CCL classification of the products or services, the final country of destination, end-user and end use of the products or services. The US International Traffic in Arms Regulations (ITAR) apply to the temporary import into and export from the US of defense goods and services, regardless of their origin. The products so designated are summed up in the US Munitions List. The US can deny licenses for temporary imports and exports of defense goods and services originating from destined for certain countries, such as Cuba, Syria or Venezuela.

### **Economic sanctions**

The EU and the US have enacted various economic sanctions programs against countries, individual legal entities and natural persons, such as the Sudan, Syria and North Korea sanctions. The prohibitions and restrictions contained in these sanction programs differ widely and can pertain to:

- a) the export, import and transit of goods (such as tin, copper, lead, nickel and zinc from sanctioned countries);
- b) financial transactions or services or trade transactions if the contracting partner or banks are sanctioned; or
- c) the entering into a contract, transaction or joint venture with a sanctioned party.

The economic sanctions may partly overlap export controls, such as components or services for weapons or enrichment-related, reprocessing or heavy water-related activities, or nuclear weapon delivery systems. The sanctions can however also pertain to other goods, such as products produced by or for certain industry sectors (e.g. the oil and gas sector and Iran).

## 2.1 Commitment to compliance

Kersten's management is well aware that it has to deal with export control and propagates this. It underlines the need for our Code of Conduct and the Internal Compliance Program. Our management statement is communicated via our intranet.

## 2.2 Structure and responsibility

The responsibility and application of export control is incorporated in procedure P.03.A. (Quotation procedure) and P.03.B. (Order procedure) of our ISO 9001:2015 quality manual.

The main person responsible for the ICP is the CFO group, which supervises, among other things:

- a) Development and revision of the ICP
- b) Development and revision of procedures
- c) Keeping track of changes in legislation and regulations

- d) Identification, screening and approval of sensitive transactions
- e) Appointing staff for specific tasks and audits
- f) Training and supervision of staff

## 2.3 Export screening procedure

### 2.3.1 Classification and identification

In addition to sanction and embargo countries, the final destinations of our goods can also be regarded as sensitive destinations. In order to be able to determine whether destinations are sensitive, the person primarily responsible must acquire knowledge of motions in the House of Representatives (e.g. Motion Servaes) but must also pay attention to changes in geo-political situations or the internal situation in a country. If a country can be regarded as sensitive, the end users and end use should be monitored extra thoroughly.

Should internal investigations reveal that the goods are strategic goods, the main person responsible will contact the Central Import and Export Office (CDIU) to determine whether the goods may be exported (possibly with a license or notification).

### 2.3.2 Screening of recipients, end-users and end-uses

- a) From all quotations/orders shall be recorded by the sales department: receiver/end user, end use and country of destination
- b) Sales department should also pay attention to the following:
  - I. are the customer's business activities clear?
  - II. want the customer to pay cash and/or pay an unreasonable price
  - III. are the terms of delivery clear
  - IV. is the customer willing to fill out an end-use declaration on request?

- c) Finance department checks and registers customers/end users for sanctions
- d) Determine whether and which export controls and/or penalty regimes apply
- e) Determine whether the transaction can proceed and under what conditions
- f) Contact your supervisor, Group CFO or Corporate Management if you do not know whether export restrictions apply
- g) The person primarily responsible will contact the CDIU in the following cases:
  - I. in case of any doubt about the end use and/or end-user
  - II. in case of doubt concerning the possibility of transit of the goods
  - III. if there is information on an interested party which raises the question marks

## 2.4 Shipment control

Prior to the actual export, the Logistics and Finance department checks whether all aspects of this ICP have been correctly completed and recorded. If an export license is required, it will be checked whether it is still valid and whether the end users have actually been screened.

## 2.5 Audits

In order to check whether the ICP has been properly implemented, an annual internal audit will be carried out by the main person responsible. If an audit reveals that parts of the ICP are insufficiently or incorrectly implemented, a process of improvement must be

initiated. The improvement process and the results are reported to Corporate Management.

## 2.6 Archiving

All export-related documents are kept for the statutory period of 7 years.

## 2.7 Example

Your EU-based company manufactures products designed for the civil aviation industry. Some of these products possibly may also be used for military purposes and are therefore be subject to the European Dual-Use Regulation. The export of such a product from an EU country to outside the EU requires prior authorization. In some cases, even intra-EU export may require authorization.

## 2.8 Questions and Answers

### Question

I work in the sales department of a company of Kersten. We are about to supply a product which (possible) application is not an issue under any export control regime. Would that mean that no export restrictions are applicable?

### Answer

No. The product itself is not the only relevant criterion for determining whether and which export restrictions apply, as the country of destination and the end user of the product must also be verified. If these are an embargoed country or sanctioned party the supply may be prohibited or require a license.



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