

# ***Compliance with United States export and trade laws***

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<b>Edition</b>	<b>Date</b>	<b>Nature of the amendment</b>	
2	30/06/2019	New rules in transactions involving some countries	
1	15/07/2018	New rules in transactions involving IRAN	
0	15/01/2018	First issue	
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**0 Purpose**

The purpose of this operating instruction is to define the relations that must be maintained by the Company personnel to comply with some essential US export and international trade laws.

**1 References**

- United States export and trade laws
- Export and international trade laws in force in Italy and in Europe
- Articles of Association
- Civil Code and legislation in force
- Ethical Code
- Manual on Quality, Procedures, Operating Instructions and Company Regulations
- UNI EN ISO 9001
- UNI EN ISO 14001
- UNI EN ISO 45001
- MOG
- Southern States LLC letter dated 17/07/2017 and following amendments (if any)
- Southern States LLC letter dated 15/06/2018 and following amendments (if any)

**2 Definitions**

Summary table of the acronyms present in this document.

<b><i>Acronym</i></b>	<b><i>Description</i></b>
IO_S/P	System/Product Operating Instructions
MOG	Organization, Management and Control Model as per Legislative Decree no. 231/2001 integrated with art. 30 of Legislative decree no. 81/08
NIC /Q /A /S	COELME Internal Procedure/Quality/Environment/Safety
OdV	Supervisory Board
SC	Sales Department
SSL	Southern States LLC

**3 Responsibilities**

All Company employees establishing relations with customers, agents and/or foreign individuals are obliged to apply the provisions set in this procedure.

The updating of the procedure, instead, is the responsibility of the SC Manager.

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**4 Context**

Coelme and its controlled subsidiaries (Egic and COELMEgic Mexico) are subject to compliance with the European legislation on exports and international trade and, as subsidiaries of a US company, they shall also comply with the regulations described below.

SSL, as a United States company, is subject to U.S. export and trade laws and regulations, including the Export Administration Act ("EAA"), Export Administration Regulations ("EAR"), Antiboycott Regulations, and Foreign Assets Control Regulations ("FACR").

SSL, through its senior management, is firmly committed to full compliance with these laws and regulations, which ensure that US technology, commodities, and raw materials are not diverted to uses inconsistent with U.S. national interests. Non-compliance with these laws and regulations can jeopardize SSL's export privileges, and result in severe sanctions which could seriously damage its business and reputation.

The requirements of U.S. export and trade laws and regulations also apply in certain circumstances to COELME Costruzioni Elettromeccaniche S.P.A. and its owned, or controlled subsidiaries like EGIC and COELMEgic Mexico (hereinafter "Coelme") as Southern States' foreign subsidiaries. To the extent that Coelme exports US-sourced commodities, software, technology or technical data to third countries, or discloses U.S.-sourced technical data to non-U.S. persons, it may be engaging in transactions which affect SSL's compliance with the above-mentioned laws and regulations. Moreover, transactions by Coelme, as an SSL subsidiary, with particular countries or individuals could subject SSL to severe sanctions.

SSL identified and imposed the U.S. export and trade laws and regulations on Coelme as normative references, which are summarized in brief below and which may affect Coelme business as SSL's subsidiary.

Coelme's activities have to take place in compliance with the aforementioned laws and regulations.

Should you ever have any questions with regard to the interpretation and application of the laws and regulations summarized below, please contact Coelme's sales managers and Coelme's staff. The SSL expert for US export and trade laws, is available to clarify possible doubts on the application of the above laws and regulations.

**5 Acts and Regulations****5.1 Export Administration Act (EAA)**

The EAA and the EAR, administered by the U.S. Department of Commerce, control the export from the United States of certain commercial commodities, software, technology and technical data. These export controls also apply to the provision of services and to the presentation and demonstration of products and services falling within the scope of the regulation. Controls on these exports shall be determined on the basis of the classification of each product, its intended use and its end-user. They also apply to the reexport to a third country of previously-exported U.S.-origin items from the U.S. and/or foreign products with U.S. content and/or the direct product of U.S. technology.

Non-U.S. origin manufactured goods - therefore goods manufactured by Coelme - are generally exempt from the EAR re-export requirements only if their U.S. content is lower than a minimum threshold. Such threshold levels are set in the regulations relative to the ultimate destination of the exported or re-exported equipment.

Some of the commodities, software, technology and technical data which Coelme may, in some cases, receive from SSL are controlled under the EAR. If Coelme re-exports U.S.-origin items, exports and/or re-exports foreign products with U.S. content, or re-exports the direct product of

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U.S. technology to a third country, or to a prohibited end-user or for a prohibited end-use, SSL may have the obligation to get a prior licence. Similarly, a prior export licence may need to be obtained from the U.S. Government before Coelme may disclose technical data about SSL commodities, software or technology to a non-U.S citizen wherever s/he is located.

Moreover, a U.S. citizen working at or for Coelme may also have obligations under the EAR if he or she is involved in, facilitates, or approves such transactions.

In accordance with the above, it is necessary to proceed as follows:

- before reexporting any U.S.-origin item, exporting any item containing U.S.-origin content, or exporting any direct product of U.S. technology or any products declared to be so by Coelme to a third country, or disclosing any technical data about these items to a national of a third country, the Coelme person in charge thereof must be provided with prior notification so that an appropriate assessment of applicable U.S. export control requirements may be undertaken.
- There is no need to provide such Coelme expert with any notification for Coelme exclusive origin products. For these products/technology, Coelme person in charge and/or Coelme's customers shall follow EU, Italian/French, and/or other applicable regulations.

## 5.2 Antiboycott Regulations (EAR)

The EAR also prohibits participation in boycotts or restrictive trade practices against countries friendly to the United States ("Antiboycott Regulations"). These regulations have a wide range of application and prohibit even the furnishing of what can seem to be innocuous information, if the purpose behind the inquiry is related to an inappropriate boycott or restrictive trade practice. While the Antiboycott Regulations do not specifically target any particular form of boycott, as a practical matter the regulations are intended to prevent compliance with the Arab League boycott of Israel. Currently, the boycotting countries include Iraq, Kuwait, Lebanon, Libya, Qatar, Republic of Yemen, Saudi Arabia, Syria and the United Arab Emirates.

The Antiboycott Regulations apply to all U.S. persons and entities wherever they are resident, to all foreign branches of U.S. firms and to all controlled foreign- incorporated subsidiaries of U.S. firms like Coelme and its controlled subsidiaries if their activity is considered to be in the interstate or foreign commerce of the United States. The determination of whether a particular transaction is in U.S. commerce is a complex legal matter which can only be resolved by SSL expert. Moreover, all requests for compliance with any form of boycott must be reported to the U.S. government, whether or not Coelme responds to the request. The reporting obligation of a foreign branch or subsidiary does not depend on whether the transaction is in U.S. commerce.

The following are examples of requests concerning antiboycott restrictions:

- Agreements to refuse or direct refusals to do business with Israel or with blacklisted companies.
- Agreements to discriminate against other persons based on race, religion, sex, national origin, or nationality.
- Providing information on business relations with Israel or with blacklisted companies.
- Providing information on race, religion, sex or ethnic background of third parties.
- Paying or otherwise using letters of credit that include reference to boycott-related actions prohibited by the Antiboycott Regulations.

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There are strict reporting obligations even where Coelme refuses to participate in a requested boycott action.

In accordance with the above, it is necessary to proceed as follows:

- In case of any request to comply with any boycott activities, the Company and/or the person in charge is obliged not to take any action to comply with such request and to inform Coelme's person in charge of compliance with the antiboycott Regulations who will report to the SSL's person in charge of that matter.

### 5.3 Foreign Assets Control Regulations (FACR)

The FACR, administered by the U.S. Department of Treasury, restrain trade and a variety of other transactions (e.g., travel-related service transactions, contracting, imports, loans, and in some cases, investments) with a number of countries (U.S. Sanctioned Countries), and certain specified individuals and entities identified by the U.S. Government as engaging in or supporting terrorist activities, drug trafficking activities, weapon proliferation or other sanctioned activities.

The countries that are included among the U.S. Sanctioned Countries the individual sanctioned and the nature and scope of the sanctions are subject to change, as are the nature and scope of the applicable sanctions.

For the current list of U.S. Sanctioned Countries, and persons and entities on the prohibited parties lists, please visit <http://www.treasury.gov/resource-center/sanctions/pages/default.aspx>.

The FACR apply to U.S. persons and to entities organized under U.S. law as well as their foreign offices and branches. Some of the sanction regulations, such as the Cuba and Iran sanctions, also apply to companies, like Coelme and / or its controlled subsidiaries, which are governed by non-U.S. laws but are owned or controlled by U.S. persons, such as foreign subsidiaries of U.S. companies.

The sanctions regulations also prohibit U.S. persons from facilitating actions of non-U.S. persons and entities otherwise prohibited if taken by a U.S. person.

Not all of the U.S. sanctions programs prohibit exports to the Sanctioned Countries, but permissible exports to these countries may require a prior authorization from either the Department of Commerce or the Office of Foreign Assets Control.

In accordance with the above, it is necessary to proceed as follows:

- Do not transact any business - including the re-export of any item obtained from Coelme or its controlled subsidiaries commodity, software, technology or technical data - with Cuba , Iran or with any Cuban or Iranian national.
- As a result of the re-imposition of sanctions on Iran by the U.S. Government, effective from November 5, 2018, foreign subsidiaries of United States companies, like Coelme or its controlled subsidiaries, will no longer be permitted to engage in transactions, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran.
- Do not re-export any item which is declared to have U.S. content or be based on SSL technology obtained from Coelme or its controlled subsidiaries to any of the countries listed in table 1, currently subject to U.S. sanctions programs, or with any national of these countries, without first contacting Coelme's persons in charge thereof, for a determination whether the re-export/export or the planned transaction is permissible and, if permissible, whether a prior authorization must be obtained.
- If it is planned to be exported or re-exported any of Coelme products or Coelme/SSL technology based products to any of the countries listed in Table 1, please inform Coelme immediately so that proper prior authorization can be obtained in advance, if required and in that case if permitted and accepted.

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Table 1

Balkans	Iran *	North Korea
Belarus	Iraq	South Sudan
Burundi	Ivory Coast	Sudan
Central African Republic	Lebanon	Syria
Congo	Liberia	Ukraine/Russia
Crimea	Libya	Venezuela
Cuba	Myanmar	Yemen
Darfur	Nicaragua	Zimbabwe

- For any product or technology solely of Coelme-origin, the EU, Italian/French and/or other applicable regulations shall be followed.
- Do not carry out any business - including the re-export of any item obtained from Coelme and/or its subsidiaries, including commodity, software, technology or technical data - with any person or entity:
  - engaged in, or intending to use them for nuclear, missile, chemical or biological weapons activities as defined in part 744 of the EAR, available at <https://ww.bis.doc.gov/index.php/documents/regulations-docs/2343-744-1/file>
  - listed on the denied persons list, or on the denied entities list, or pursuant to general order 3, part 736 of the "Export Administration Regulations", compiled by the U.S. Department of Commerce, Bureau of Industry and Security
  - listed on the non-proliferation sanctions lists or the debarred list, compiled by the U.S. Department of State.
- For each export or re-export of any item obtained from COELME or its subsidiaries, it has to be verified that the Customer and/or end-user is not included in the Sanctioned Persons list available at <https://sanctionssearch.ofac.treas.gov/>, and that the Customer's and/or end-user's address does not match that of an individual included in the above-mentioned list.
- In case of any doubt or any question about the applicability of export and trade laws and regulations to any sale, export, re-export, transaction, shipment or disclosure of technical data, please contact the Coelme's person in charge before making or authorizing such transaction and/or action.

### **6 Document traceability and conservation**

In applying these provisions, the NIC Q 424 procedure concerning registrations must be complied with.

For each step, request for information, preparation of documents, reports and information report, the person who carried out the above-mentioned activities must sign and date the documents in order to allow for subsequent traceability and facilitate all verifications and necessary checks.

In the event of computer communications, the person in charge and the date must be traced according to the methods provided by the computer system used (e-mail, management system, etc.).

Company records, reports and documents must be kept in order with the competent offices of the Company and be available for any verifications and checks.

The documentation must be made available to the Supervisory Board for the activities in question.

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**7 Information flows to the Supervisory Board**

In this regard, the operating instruction IO\_S 84 Information flows to the Supervisory Board must be observed.

**8 Disciplinary system**

Any violation or non-compliance with the above protocols must be treated according to the provisions of the "Disciplinary system" included in the Special Section, Part II, Section III of the MOG.