

# SANCTIONS POLICY

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EURICOM S.p.A.

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## DEFINITIONS

In this document the following terms have the meanings shown below:

- **“Recipients”**: all subjects who work in the name and on behalf of Euricom Group. All the following fall under the definition of Recipients: Employees, the Board Members, Supervisory Bodies, Suppliers, Consultants, Professionals, Partners, Customers, and Subsidiaries of Euricom S.p.A., etc.
- **“Euricom S.p.A.”** or **“Group Leader”**: parent company of Euricom Group.
- **“FSE”**: *Foreign Sanctions Evaders* (a list of foreign Sanctions evaders). This is a list published by OFAC containing the names of foreign individuals and entities that have infringed, attempted to infringe, conspired to infringe or caused an infringement of US Sanctions on Syria or Iran pursuant to Executive Order 13608 (<https://ofac.treasury.gov/media/5926/download?inline>).
- **“Group”** or **“Euricom Group”**: the corporate group Euricom Group S.p.A. is the parent company of.
- **“EU Sanctions map”**: A map of the Sanctions adopted by the European Union. The European Union Sanctions towards other countries, individuals or entities are issued under the EU's common foreign and security policy to bring about a change in policy or the activity of a target country, part of a country, a government, entity and/or individuals with the aim of pursuing peace, democracy and respect for the rule of law, human rights and international human rights which are the main objectives of this policy.
- **External Provider**: An External Provider is an external organization that offers services to a company. These services can include a wide range of functions, such as providing consultancy and other specialized services. Within the scope of this Policy, the External Provider supports the Group entities in verifying and monitoring the possible inclusion of the Third Party in the updated Sanctions lists.
- **“OFAC”**: Office of Foreign Assets Control of the US Department of the Treasury which applies and administers commercial economic Sanctions that come from the Administration's foreign policy decisions, to protect national security towards certain countries, terrorists, drug traffickers and/or subjects involved in the trade of weapons of mass destruction.
- **“UN”**: The United Nations (UN). This is a universal international organisation founded in 1945 to promote international peace and security through a collective security system.
- **“Sanctions”**: these are restrictive measures, restrictions or bans imposed by public international law resulting from infringements of laws. These measures can be applied to individuals, entities, groups and include, by way of example, economic and diplomatic Sanctions, travel bans, arms embargos, freezing assets or funds etc. These restrictive measures are the result of behaviour such as: human rights violations, terrorism, nuclear proliferation activities, annexation of foreign territories, deliberate destabilisation of a sovereign country, cyber-attacks, chemical warfare. The aim of international Sanctions is to restore peace, the security of a territory and rule of law.
- **“SDN”**: *Specially Designated Nationals* (a list of specially designated individuals and blocked persons). It is a list that contains the names of OFAC designated individuals, entities and groups, as well as a list of maritime vessels and aircraft blocked by OFAC.
- **“SSI”**: *Sectoral Sanctions Identifications*. This is a list published by OFAC to identify the people who operate in the sectors of the Russian economy identified by Secretary of the Treasury pursuant to Executive Order 13662

(<https://ofac.treasury.gov/media/5961/download?inline>). The directives contained in the list describe the restrictions relating to the people identified.

- **“Third Parties” or “The Party”**: natural or legal persons, other than Employees who have *business* relationships with the Company. Third Parties means Suppliers (excluding EU resident farmers), Consultants, Professionals, Mediators, Partners, Trading Partners, Customers, etc.

## INTRODUCTION

In today's international regulatory framework of preventing and countering terrorism, illegal trafficking, proliferation of weapons of destruction and their financing, laws have been identified that limit and, in some cases, prohibit transactions or other dealings involving certain entities, individuals, groups. Particular attention is paid by Euricom Group to laws relating to international Sanctions, such as economic Sanctions and diplomatic Sanctions, arms embargos, travel bans, and freezing assets or funds.

In light of its business, the Group could be exposed to Sanctions or other restrictive measures imposed by various government authorities. Failure to manage the risk of infringement of these measures could result in Sanctions and penalties for the Group and/or for the people in the same company and compromise the reputation of the *brand*, in addition to incurring Sanctions or criminal proceedings. For this reason, Euricom Group decided to implement this Policy, with the aim of discouraging and preventing infringements of laws, regulations, embargos and other restrictive measures relating to Sanctions and applicable in markets where the different Companies in the Group do business.

In order to be informed about the inclusion of the Third Party in the updated Sanctions lists, each Group Company undertakes to verify and monitor the inclusion in the Sanctions lists described in this Policy of all Third Parties with which it has business relationships, on the occasion of making new contracts, renewing existing contracts and/or on the occasion of periodic monitoring of Third Parties with which it has regular relationships.

To manage exposure to risk of Sanctions and ensure compliance with laws on Sanctions, Euricom Group aims to apply the controls described in the paragraph *Control Systems*.

## FIELD OF APPLICATION

This Policy applies to all subjects that operate in the name and on behalf of Euricom Group. The following are among these: Employees, the Board Members, Supervisory Bodies, Suppliers, Consultants, Professionals, Partners, Customers, and Subsidiaries of Euricom S.p.A., etc. Hereafter also "Recipients".

## REGULATORY FRAMEWORK

Euricom Group undertakes to comply with laws on Sanctions imposed by governments and national and international bodies, applicable to their business activities. The following section will describe the actual applicable laws, in any case each Company of Euricom Group has to be up to date with applicable rules and regulations that are constantly changing, eventually also through the support of external providers.

In particular it undertakes to comply with:

- **laws on US Sanctions** defined and managed by the Office of Foreign Assets Control (OFAC)<sup>1</sup> inside the United States Department of the Treasury. OFAC imposes restrictions and prohibitions on carrying out transactions or other dealings involving certain countries, entities and individuals. Generally, OFAC restrictions and prohibitions apply to American citizens, which includes: American companies (and some affiliated companies); American citizens and permanent residents, regardless of where they are; and people in the United States. The American system has two types of Sanctions: primary and secondary Sanctions.
  - Primary Sanctions are Sanctions applied to American citizens or permanent residents, entities organised in the United States, and anyone in the United States, including US subsidiaries of

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<sup>1</sup> For further information on OFAC and Sanctions programmes on countries please see the link <https://ofac.treasury.gov/>

- foreign entities and individuals physically present in the United States. Primary Sanctions are applied directly because the legal entity or component of the asset is linked to US jurisdiction.
- Secondary Sanctions on the other hand are Sanctions that can be imposed on non-US companies that have certain commercial activities with countries subject to American Sanctions with the aim of strengthening the effects of primary Sanctions and protecting national security interests. Secondary Sanctions have an “extraterritorial” component: that is, they are different to European Sanctions, which can only be applied to companies and European citizens. The extraterritorial component which applies to non-US citizens, means that any company, wherever it has its headquarters must respect American Sanctions when:
    - i. dollars are used to make transactions and/or
    - ii. the same have a connection to the United States.

In other words, secondary Sanctions apply to companies that have business relationships with Countries subject to Sanctions. However, since they are not residents, US jurisdiction cannot act directly but only on assets located within the United States or on the activities and services based in the United States (for example, keeping dollar current accounts in the United States, restrictions on imports into the United States or refusing entry visas to the United States to managers or controlling shareholders, etc.). In the event of infringements of secondary Sanctions there is a real possibility of being designated as an SDN.

In general, OFAC prohibits American citizens of engaging in business or other dealings with or that involve certain individuals or entities, regardless of nationality or residence. These individuals and entities are provided in specific lists<sup>2</sup>, that can be summarised as follows:

1. *SDN List*<sup>3</sup> - OFAC publishes a list of natural and legal persons as specifically designated (SDN). These SDN are perceived by OFAC as a threat to the national security of the United States and other foreign policy objectives. For example, the SDN could be involved in terrorism, human rights violations and in trafficking in weapons of mass destruction not only in the sanctioned territories but in a wide range of Countries.

Based on primary Sanctions, American citizens cannot do business with SDN/SSI or their controllers (The 50% Rule: if a person holds 50% or more equity in an SDN, American citizens cannot do business with the controller). Also, based on secondary Sanctions, there are cases that even non-US citizens who deals with the SDN/SSI can be penalized.

In addition, many loan agreements with banks (not only U.S.) also have negative covenants prohibiting transactions with SDNs. Therefore, transactions with SDNs may be cause for default under the loan agreements with banks. In addition, transactions with SDNs could cause the termination of other contracts, resulting in the inability to continue Euricom's current business.

The SDN list includes natural and legal persons and other entities subject to blocking Sanctions. All US companies are prohibited from transferring, receiving, exporting to or even managing assets or property of persons and groups subject to blocking Sanctions. This means that the assets of subjects on the *SDN List* are frozen. On the contrary non-SDN<sup>4</sup> lists included in the *Consolidated Sanctions* lists are subject to restrictions which, most of the time, are not equivalent to the complete freezing of assets. They can include export controls and import

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<sup>2</sup> For more details and updates on OFAC Sanctions lists please see the link <https://Sanctionssearch.ofac.treas.gov/>

<sup>3</sup> For more details and updates on specially designated natural and legal persons (SDN) please see the link <https://Sanctionslist.ofac.treas.gov/Home/SdnList>

<sup>4</sup> For more details and updates on Non-SDN Sanctions lists please see the link <https://Sanctionslist.ofac.treas.gov/Home/ConsolidatedList>

bans, restrictions on financial transactions and sectoral Sanctions on specific sectors. They may, but do not necessarily, result in an asset freeze of sanctioned entities. This last case includes the following two lists.

2. *FSE List*<sup>5</sup> – OFAC has a list of foreign Sanctions evaders. These are foreign individuals and entities that have infringed, attempted to infringe or caused an infringement of US Sanctions relating to Iran or Syria or foreign individuals who facilitated deceptive transactions for or on behalf of persons subject to US Sanctions. The FSE list is not part of the SDN list. However, individuals and companies on the FSE list can also be included on the SDN list.

OFAC prohibits engaging in any transaction that evades, avoids, or is intended to evade or avoid US Sanctions.

3. *SSI List*<sup>6</sup> – OFAC manages a list that identifies people operating in certain sectors of the Russian economy. Restrictions applicable to SSI are different to those applicable to the people on the SDN list or on the FSE list. The SSI list is not part of the SDN list. However, individuals and companies on the SSI list can also appear on the SDN list.

➤ **Sanctions laws of the European Union**<sup>7</sup> (or of any member State). These regulations apply to:

- within the borders of the EU territory;
- on board any aircraft or vessel under the jurisdiction of an EU member State;
- for any person with the citizenship of an EU member State;
- for any organisation established under the laws of an EU member State;
- for any Company which does business wholly or partly inside the EU.

EU Sanctions are applied by the competent authorities of individual member States.

EU sanction laws essentially fall into two distinct categories:

- i. restrictions on the freezing of assets and
- ii. specific Sanctions.

With reference to restrictions on the freezing of assets and economic resources the EU keeps a regularly updated list of people, entities and bodies subject to such restrictions under EU Sanctions. The definition of “funds” and “economic resources” is far reaching and includes cash, checks, bank deposits, stocks, shares, and other forms of tangible and intangible assets. “Freezing” refers to the fact that all funds and economic resources belonging to, owned, held or controlled by designated persons, cannot be used in any way. In addition, no fund or economic resource can be made available directly or indirectly or for the benefit of a designated person. EU Sanctions furthermore prohibit any attempts to circumvent the provisions on the freezing of assets. In addition, some EU member States keep their own lists of designated people, which can add names in addition to those designated by the EU.

With reference to specific Sanctions these Sanctions differ depending on the country in question. To this end the EU has an “EU Sanctions map”, that provides useful information on the regimes in question. Sanctions vary according to the country and the situation. The main ones can be represented

<sup>5</sup> For more details and updates on the list of foreign Sanctions evaders please see the link <https://ofac.treasury.gov/other-ofac-Sanctions-lists>

<sup>6</sup> For more details and updates on the list of sectoral Sanctions please see the link <https://ofac.treasury.gov/other-ofac-Sanctions-lists>

<sup>7</sup> For further details on countries and EU Sanctions please see the link <https://www.Sanctionsmap.eu/#/main>

as follows:

- *financial restrictions*: restrictive measures attributable to financial resources and instruments that belong to, are owned by or controlled by subjects of public international law, natural or legal persons;
- *civil restrictions*: restrictions pertaining to all types of economic resource transactions in cases where such transactions involve a change of ownership or the aim of such transactions is to make cash funds available;
- *entry restrictions*: entry and residence ban, or crossing in transit, in certain countries;
- *restrictions on the movement of strategic and other goods*: prohibition on the sale, supply, transfer, export of strategic assets or other assets specified in legislation relating to Sanctions or the disposal of such goods or access to them;
- *restrictions on the provision of tourist services*: ban on offering tourist services for travel to specific areas;
- *restrictions on the provision of services relating to specific Sanctions*: ban on offering services relating to weapons, ammunition, military vehicles, and other or services related to equipment and software for monitoring internet and telephone communications.

The EU implements all Sanctions adopted by the UN Security Council transposing them into EU law. The EU can also strengthen UN Sanctions by applying supplementary measures that are more rigorous than those decided by the UN Security Council.

EU Sanctions are established in the decisions of the European Council in matters of common foreign and security policy. Decisions of the European Council come into force upon publication in the Official Journal of the European Union. People and entities inserted onto lists can send a request for review of the decision to include them on the list to the European Council together with supporting documents.

- **UN Sanctions issued by the United Nations Security Council<sup>8</sup>**. Security Council Sanctions refer to economic Sanctions, trade and/or specific measures such as arms embargos, travel bans and financial restrictions or those relating to assets. The Security Council applies Sanctions to promote peaceful relations, avoid terrorist actions, protect human rights and reduce the proliferation of weapons.
- **Sanction laws of the United Kingdom**, are restrictive measures which include compliance with United Nations and other international obligations as well as support for foreign policy and national security objectives, in addition to maintaining international peace and security and the prevention of terrorism. The United Kingdom describes and implements a series of Sanctions regimes through specific regulations issued pursuant to the Sanctions and Anti-Money Laundering Act 2018 (the Sanctions Act).

Sanctions regimes apply to all natural and legal persons in the United Kingdom and beyond who carry out their business in the territory of the United Kingdom and/or were set up in accordance with the laws of the United Kingdom but operating abroad. Therefore, all individuals and companies in the United Kingdom must comply with the sanction laws of the United Kingdom wherever they are in the world.

The types of Sanctions applied by the United Kingdom can be summarised in the following list:

- *trade Sanctions*, including arms embargos and other trade restrictions;
- *pecuniary penalties*, including the freezing of assets;

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<sup>8</sup> For more details on the list of sanction issued by the UN please see the link <https://main.un.org/securitycouncil/en/content/un-sc-consolidated-list>



- *transport Sanctions* (aircraft and ships), including the cancellation of registration or controlling the movement of aircraft and ships;
- *immigration Sanctions*, known as travel bans.

It is pointed out that the freezing of assets and travel bans apply only to persons or vessels which have been designated or specified by the government of the United Kingdom in a specific *Sanctions list*<sup>9</sup>.

In addition to the Sanctions list the Office of Financial Sanctions Implementation (OFSI), a body established in March 2016 and which is part of the Government Department of the United Kingdom responsible for developing and implementing public finance policies and the economic policies of the British government (known as HM Treasury), also has a *consolidated list*<sup>10</sup> of asset freezing objectives which contains details on specific designations for financial Sanctions, where asset freezing measures are applied.

#### *Trade Sanctions*

The Department for Business and Trade (DBT) implements trade Sanctions which may include bans on: i) import, export, transfer, circulation, making available or acquisition of goods and technology; ii) the supply or contracting of services relating to goods and technology; iii) provision or acquisition of other non-financial services.

#### *Pecuniary penalties*

The Office of Financial Sanctions Implementation (OFSI) implements financial Sanctions that include restrictions on designated persons such as freezing their financial assets, as well as wider restrictions on investments and financial services.

If someone becomes aware that a person or organisation, they have a relationship with is subjected to specific financial Sanctions they have an immediate obligation to terminate the relationship, to freeze the assets they own on their behalf and inform OFSI by sending an e-mail to [ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk).

In light of OFSI provisions, a crime could be committed if: funds or economic resources are made available to a designated person (except in cases where there is a license); frozen funds or economic resources are managed (except in cases where there is a license); activities are carried out that "evade" the prohibitions of financial Sanctions; false information or documents are provided for the purpose of obtaining a license and in cases where the conditions of the license are infringed.

#### *Transport Sanctions*

The Department of transport applies transport Sanctions that include restrictions on the ownership, registration or movement of ships and aircraft. This could include restrictions on movement to and from ports and airports and the detention of ships and aircraft.

#### *Immigration Sanctions*

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<sup>9</sup> For more details on the list of sanction in the United Kingdom please see the link <https://www.gov.uk/government/publications/the-uk-sanctions-list>

<sup>10</sup> For more details on the OFSI consolidated list please see the link <https://Sanctionssearchapp.ofsi.hmtreasury.gov.uk/>

The Home Office applies immigration Sanctions, known also as travel bans. All those who are subject to travel bans will be denied permission to enter or remain in the United Kingdom. Any visa applications for travel to the United Kingdom, also for transit reasons, will be rejected. All foreign citizens subject to travel bans who are currently in the United Kingdom will have their United Kingdom residency permits cancelled and measures will be taken to remove them from the United Kingdom.

However, there are some *exceptions to some of the sanctioning prohibitions* to the list of Sanctions mentioned above which are applied in well-defined and motivated circumstances. For example, licenses for certain activities could be issued that could otherwise be prohibited by the sanctioning measures.

There may be situations where the activity would be prohibited by more than one type of sanctioning measure (e.g., trade and financial measures). In this case it may be necessary to apply for more than one license, to each of the competent bodies.

### **CONTROL SYSTEMS**

With reference to the regulatory framework just described Euricom Group deemed it appropriate to implement a prevention system regarding national and international Sanctions which includes:

- defining its own policy by drafting this Policy, approved by Euricom S.p.A Board of Directors;
- implementing a well-structured control system using:
  - o *Sanctions Screening* procedures and monitoring the Third Parties the Group has business and/or potential relationships with through the use of External Provider databases;
  - o revising contractual standards with the inclusion of specific clauses and self-certification of not belonging to lists of sanctioned or unauthorised subjects;
- implementing reporting procedures and tools (whistleblowing) that are easy to access and comply with local regulations for reporting infringements of this Policy and/or suspected infringements of sanctioning regulations (for more details please see the paragraph *Reports*);
- providing information and training activities for employees, aimed at spreading Euricom Group culture as well as internal and external regulations to be complied with on matters relating to international Sanctions (for more details please see the paragraph *Diffusion and Training*).

To counteract, or at least reduce the risk of incurring an infringement of Sanctions programmes implemented by national and international institutions, Euricom Group has defined a precise monitoring system.

Each Group Company must have its own rules and methods for storing formalized documentation useful for demonstrating traceability, archiving and, if not also, compliance with the law *Sanctions Screening and monitoring*

When establishing business relationships with new Third Parties, before proceeding with drawing up contracts each Euricom Group Company must verify the presence of the names of the Third Parties and their directors, as well as of the beneficial owner, on the Sanctions lists (Sanctions lists published by the UN, the EU and OFAC), also through the use of External Provider databases and if necessary by involving financial institutions.

#### *Contractual Standards*

1. Business relationships with Third Parties must be formalised with contractual agreements signed for acceptance of the conditions by the counterparty. These agreements must contain a specific

clause declaring acknowledgement, acceptance and compliance with this Policy. *The clause could be described as an example as follows:* Sanctions Compliance: The Party warrants that, during the performance of this contract, it will comply with all applicable laws and regulations regarding economic and trade Sanctions imposed by any competent governmental authority, including but not limited to, Sanctions imposed by the United States, the European Union, the United Nations, the United Kingdom, and any other relevant governmental body.

2. Notification of Violations: The Party agrees to promptly notify the other Party if it becomes aware of any violation of any sanction laws or becomes subject to any Sanctions.
3. Contract Termination: In the event of a breach of the above provisions, the other Party shall have the right to immediately terminate this contract without any additional liability, without prejudice to the right to claim damages.

All Companies in the Group undertake to:

- refuse possible business relationships with SDN;
- exclude any Counterparties registered on the SDN list from any tender procedures.

#### **DIFFUSION AND TRAINING**

Euricom Group promotes the diffusion of this Policy, making it accessible and understandable to all Recipients as well as all Companies that are part of the Group. This Policy is published on the official Euricom S.p.A. website and shared with all Companies in the Group.

Furthermore, specific training and communications activities must be provided for Employees in the Companies in the Group with the aim of ensuring effective knowledge of the contents of this Policy, of Policies implemented at local level as well as applicable regulations.

For any doubts and/or clarification, the Group invites its Employees to contact their direct superior.

#### **REPORTS**

Infringements of Sanctions regulations and/or of this Policy, presumed or actual must be reported by the Recipients, if they became aware of any, using the *whistleblowing* reporting channel implemented by each Company in Euricom Group in compliance with applicable legislation. Where not present, it is possible to use the reporting channel implemented by the Parent Company which can be accessed via the following link <https://euricom.it/IT/WHISTLEBLOWING/>.

Investigations will be carried out guaranteeing the maximum confidentiality of whistleblowers, without prejudice to legal obligations. Euricom Group guarantees that no retaliatory action will be carried out against whistleblowers.

#### **DISCIPLINARY SYSTEM**

All Recipients are contractually obliged to comply with the principles of this Policy. This compliance is an integral part of contractual agreements.

Failure to comply by Employees will involve the application of disciplinary and sanctioning measures, up to termination of the contractual relationship, depending on the gravity of the act committed.

Infringements by Third Parties may lead to termination of the contractual relationship, as well as possible compensation for damages.

Failure to comply by directors and Supervisory Bodies will entail suspension or removal from office.

**APPROVAL OF THIS DOCUMENT AND SUBSEQUENT UPDATES**

This *Policy* was approved by a resolution of Euricom S.p.A Board of Directors, which provides for the obligation to adopt the same by all Companies in the Group so that they can implement the content through a resolution of the Administrative Bodies, adapting it if necessary to company needs and the regulations of the country of reference.

Any updates to this document connected to national or international regulatory changes to matters relating to Sanctions will have to be submitted again for approval to the Board of Directors.