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SANCTIONS AND EMBARGOES COMPLIANCE

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This guide is to explain what are sanctions and embargoes – how they work, what is company obligations and the potential penalties for non-compliance.

Please review the guide carefully and, if necessary, involve outsourced trade compliance advisor before entering into any agreements with international clients or their agents.

CONTENTS

WHAT IS A SANCTION..... 1
WHAT IS AN EMBARGO..... 2
WHO IMPLEMENTS SANCTIONS AND EMBARGOES..... 2
WHAT IS SDN..... 3
TYPES OF SANCTIONS..... 3
HIGH RISK TRANSACTIONS..... 3
WHAT ARE THE PENALTIES FOR FAILING TO COMPLY WITH A SANCTION OR EMBARGO..... 4

WHAT IS A SANCTION?

A sanction is a restriction that is imposed on a country, a specific person, a legal entity or an organization. They are used by government as a non-violent foreign policy tool to fight activities such as financial crime, human rights abuses, the sheltering of international criminals, nuclear weapons development and terrorism. Sanctions affect all parties of transactions, financial institutions such as the banks, logistics service

providers, brokers etc. We, and service providers, are legally bound to adhere to the sanctions imposed by relevant jurisdictions. Typical restrictions associated with sanctions include:

- Prohibiting the transfer of funds to and/or from a sanctioned country and/or Specifically Designated Nationals (SDN);
- Export of goods to or through sanctioned country;
- Prohibiting particular types of activities, like financing and other;
- Imposing travel bans and financial services restrictions.

WHAT IS AN EMBARGO?

An embargo is a unilateral or collective restriction on the import or export of goods, materials, capital or services into or from a specific country or group of countries. Embargoes are similar to sanctions and are legal barriers to trade. We, and service providers, are legally bound to adhere to embargoes imposed by relevant jurisdictions

WHO IMPLEMENTS SANCTIONS AND EMBARGOES?

The UAE administers sanctions though different government entities, two governmental authorities often used in implementation of sanctions: Executive Office of the Committee for goods and Materials subject to Import & Export control and UAE Central bank.

European Union – The EU implements sanctions and embargoes (commonly referred to as 'restrictive measures' in the EU) under the Common Foreign and Security Policy (CFSP) framework. EU sanctions and embargoes apply to all EU member states.

United Kingdom – Her Majesty's Treasury (HMT) is responsible for the implementation and administration of international financial sanctions and embargoes in the UK.

United Nations – The United Nations Security Council (UNSC) is responsible for implementing United Nations sanctions and embargoes. All member countries under the Charter of the United Nations are obliged to abide by UN sanctions.

United States – The United States Treasury Office of Foreign Assets Control (OFAC) is principally responsible for administering and enforcing autonomous US sanctions and embargoes, however the Bureau of Industry and Security (BIS) of the US Department of Commerce also administers a number of sanctions in addition to control and licensing of exports from the United States.

Sanctions information can be obtained from:

UAE - https://www.uaeiec.gov.ae/en-us/United-Nations-Security-Council-Sanctions

UN - https://www.un.org/sc/suborg/en/sanctions/un-scconsolidated-list

EU - http://eeas.europa.eu/cfsp/sanctions/index_en.htm

UK - https://www.gov.uk/guidance/sanctionsembargoes-and-restrictions

USA - OFAC - https://www.treasury.gov/resourcecenter/sanctions/Programs/Pages/Programs.aspx
USA - BIS - https://www.bis.doc.gov/index.php/policyguidance/country-guidance/sanctioneddestinations.

WHAT IS SDN

SDNs (Specially Designated Nationals) can be individuals or entities (such as financial institutions, companies, shipping vessels, ports or airlines) and they can be located anywhere in the world. Authorities designate SDNs for a number of reasons. They may be linked to human rights abuses, nuclear proliferation, terrorism, narcotics trafficking, transnational criminal organizations, or they may support sanctioned regimes. In most cases, entities that are beneficially owned by or significantly linked to an SDN will also be considered an SDN.

TYPES OF SANCTIONS

Multilateral – These are sanctions adopted by more than one country against another country. They are usually issued by supranational bodies such as the United Nations Security Council (UNSC), the

European Union or the Arab League; and

Autonomous – These are sanctions adopted by just one country against another country. They are usually issued by domestic government bodies such as the US Office of Foreign Assets Control (OFAC), US Bureau of Industry & Security (BIS) and Her Majesty's Treasury (HMT) in the UK. Sanctions are not always imposed on an entire country; there are various forms of targeted sanctions, including SDNs.

HIGH RISK TRANSACTIONS

If your transaction is involved in any of the following below, the business may be at risk:

- You make a payment to someone, who is subject to sanctions or embargoes (SDN);
- You make a payment to someone in a sanctioned country, even if their account is located in a nonsanctioned country.
- The movement of funds or goods in your transaction involves a party that is subject to sanctions or embargoes (for example airlines, banks, shipping vessels and ports).
- Consider transhipment risks - Certain sanctions effect the classification and treatment of goods even if they are just transiting through a country subject to sanctions e.g. or the customer is asking for delivery into a sanctioned country.

WHAT ARE THE PENALTIES FOR FAILING TO COMPLY WITH A SANCTION OR EMBARGO?

Infringements of sanctions or embargoes, or dealing with Specially Designated Nationals (SDNs), are regarded as serious offences with severe penalties to match, including seizure of goods, significant fines and even imprisonment. On top of these penalties, company transactions and business could be placed at risk. For example, payments may be confiscated or your funds frozen, restricting the cash flow. Also company may be subject to increased due diligence by regulators and banks will refuse to handle transactions. The business reputation will be significantly damaged and international sales may not be possible anymore.

"RED FLAG" RISKS INDICATORS

Please pay attention to the "red flags" when entering into any transaction. Red flags will assist you in identifying those transactions that may pose a risk of diversion or other illegal activity.

If you identify any of cases below then you bring it to the attention of the company director without delay:

- The product's capabilities do not fit the buyer's line of business, for example clothes retailer requesting a big quantity of nightvision cameras;
- The customer is willing to pay cash for a very expensive item when the terms of sale would normally call for financing.
- The customer has or no business background.
- Altering or misrepresenting the final destination.
- Routing payment via multiples parties in different locations.
- A freight forwarding firm is listed as the product's final destination.
- Providing fake or tampered documentation to support a transaction

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