

Sanctions & Export Controls Policy

Introduction

Compliance with (a) trade sanctions and embargoes (together, **Sanctions**) and (b) export control laws and regulations (together, **Export Controls**) are integral to Dialight's Code of Business Conduct (the **Code**). All employees and contractors need to ensure that they comply with all applicable Export Controls when transferring goods, services, software, or technology within their country or across national borders.

What are "Sanctions"?

"Sanctions" are political trade restrictions that are implemented against target countries, groups, and individuals with the explicit aim of maintaining or restoring international peace and security. They are mainly put in place by the UN Security Council Sanctions Committee, the USA, and the European Union. UN and EU sanctions become part of domestic law by the passing of laws in their member states.

Sanctions may take any of the following forms:

- embargoes on exporting or supplying arms and associated technical assistance, finance and training;
- bans on exporting equipment that could be used for internal repression;
- financial sanctions;
- travel bans; and,
- bans on imports of raw materials or goods from the Sanctions target.

Sanctions may be targeted at individuals or organisations. However, in some cases, comprehensive restrictions may be put in place against a particular country (e.g. Iran, Cuba, Syria, North Korea, Russia, Sudan and the Crimea region of Ukraine). The various bodies that impose Sanctions each publish frequently-updated lists of individuals and organisations subject to Sanctions.

What are "Export Controls"?

"**Export Controls**" is the term applied to the control regimes that most countries apply to the export licensing or authorisation process by which certain categories of goods, technology, software, and services are "approved" for export. At Dialight, such control regimes include: (a) items with US content; (b) "military" items; and (c) "dual-use" items (i.e. items that not specifically designed or modified for military purposes but that could be used for such purposes).

Export Controls affect Dialight in four main areas:

- **Controls on the export of military goods, software, related technology, and services.** These controls are applied by the state where the exporting business unit is located.
- **Controls on the export of dual-use goods, software, and related technology.** These are also generally applied by the state where the exporting business is located. In the EU, they are applied by the EU Member State where that business unit is established. This means that the item could actually be exported from another Member State within the EU Single Market.
- **Extraterritorial application of regulations.** Both military and dual-use technology and services may be subject to the regulations of certain countries, such as the USA, regardless of where the business unit is located.
- **"End Use" and/or "Destination" controls.** The sale of dual-use goods, software and related technology may be prevented if there is even a suspicion that they will be sold on in breach of Sanctions and Export Controls.

What are my obligations?

You must:

- not enter into any contractual relationship(s) with any party located in or incorporated under the laws of a country listed in Appendix A;
- conduct or assist with the conduct of appropriate due diligence on any proposed business partner (e.g. supplier, customer, agent, distributor, etc.) to ascertain that such proposed business partner is not a

- restricted person or a “Specially Designated National” (*SDN*);
- obtain end-user certifications from any proposed customer to ensure that Dialight’s products are not sold to anyone subject to Sanctions or Export Controls; and,
- be vigilant for “red flags” that could suggest a breach of Sanctions or Export Controls (e.g. unusual shipping route requests or activity; reluctance by a proposed business partner to offer information on routine commercial or technical issues such as its beneficial ownership or locations of sale) – report all such red flags to your regional compliance champion and/or the General Counsel.

What are the risks?

Failure to comply with Sanctions and Export Controls can have significant legal, financial, practical, and reputational consequences for Dialight and its employees, including:

- **Criminal conviction.** Dialight and relevant individuals may face potentially unlimited fines and imprisonment. Individuals may be disqualified from taking up directorships in the future.
- **Contractual.** Dialight may be unable to perform contracts, lose its existing customers and contracts and become ineligible for future contracts.
- **Loss of funds.** Dialight may find its funds blocked or frozen by banks or other funding parties.
- **Forfeiture of goods or profits.**
- **Loss of management time.** Investigations and any consequent court proceedings will take up significant management time.
- **Loss of reputation and share value.** There will be long-term damage to talent acquisition and retention, as well as the incurrence of costs to manage fall out and rebuilding of reputation.

Therefore, compliance with Sanctions and Export Controls protects both Dialight and the individuals working for it.

Commitment to compliance with Sanctions and Export Controls

Dialight’s policy of compliance with the export control laws of all relevant jurisdictions and regimes in which it operates applies to:

- the physical transfer of controlled goods, software, and technology;
- the transfer of Technology using electronic media e.g. e-mail, fax, and the use of the internet of shared data environments (i.e. “*Intangible Transfers*”);
- the provision of Technical Services associated with defence programs; and,
- US-controlled goods, software or technology may only be transferred to “approved” foreign nationals or other legal entities wherever that transfer may occur.

In order to achieve this Dialight has:

- **Code of Business Conduct.** Made compliance with Sanctions and Export Controls a key part of its Code of Business Conduct and the responsibilities of the General Counsel, which reflects Dialight’s top-level commitment to compliance.
- **Training and communication.** Arranged to be provided to all relevant staff on a regular basis online training that: informs the business about applicable Sanctions and Export Controls; what such Sanctions and Export Controls mean for them; how to spot potential issues; and how to report them within the business. Staff are also able to consult their regional compliance managers or the General Counsel if they have any queries.
- **Due Diligence.** Implemented a proportionate, risk-based approach to the conduct of due diligence checks against its distributors, agents, suppliers and customers by screening individuals and entities against restricted party lists, with a clear decision-making and escalation process. The screening results are monitored and periodically re-run.
- **Inclusion of sanctions compliance clauses with counterparties.** All Dialight’s business counterparties are contractually obliged to: comply with sanctions laws; not put Dialight in breach of sanctions laws; not deal with restricted parties (including those on SDN lists); cascade sanctions compliance obligations through the supply chain; represent that they are not restricted parties, nor owned or controlled by one; report to Dialight if they breach Sanctions; a release from performance in the event that Dialight would be directly or indirectly affected by sanctions or related practical consequences

(e.g. being unable to find a payment route that complies with applicable Sanctions and Export Controls); and the right to audit, suspend and terminate Dialight's relationship with its counterparties in relation to Sanctions and Export Controls compliance.

- **Whistleblowing.** Safecall, an independent third party, operates a whistleblowing facility that allows Dialight staff to report any concerns that they may have in respect of Sanctions and Export Controls.

Annex 1

Jurisdictions subject to comprehensive sanctions

- Cuba
- Iran
- Libya
- North Korea
- Syria
- Sudan
- The Crimea region of Ukraine
- Russia