



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**SETTLEMENT AGREEMENT**

This settlement agreement (the “Agreement”) is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and Stanley Black & Decker, Inc., (“Stanley Black & Decker”) and its foreign subsidiary, Jiangsu Guoqiang Tools Co., Ltd. (“GQ”) (collectively referred to hereafter as “Respondent”).

**I. PARTIES**

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

Stanley Black & Decker of New Britain, Connecticut is a diversified global provider of hand tools, power tools, and other mechanical tools and related services. GQ, located in China, is a subsidiary of Stanley Black & Decker that manufactures and sells power tools.

**II. FACTUAL STATEMENT**

On February 5, 2015 and June 4, 2015, Stanley Black & Decker submitted a voluntary self-disclosure to OFAC (ENF 42949), which it supplemented in response to OFAC’s requests for information on May 25, 2017, April 5, 2018, and April 16, 2018.

Stanley Black & Decker began acquisition negotiations with GQ in 2011, during which the company engaged in due diligence and discovered GQ actively exported to Iran. Over the course of the ensuing negotiations, Stanley Black & Decker took steps to cease GQ’s sales to, and transactions with, Iran and other OFAC-sanctioned countries prior to the acquisition date and made ceasing such sales a pre-requisite condition of the closing. GQ’s representatives agreed to these terms and conditions.

Subsequent to its acquisition of GQ, Stanley Black & Decker provided a series of trainings to GQ employees on the company’s policies and procedures as they related to OFAC’s sanctions programs. In June 2013, Stanley Black & Decker’s Legal Counsel for Asia trained GQ’s employees on the company’s Business Conduct Guidelines and compliance with the U.S. Foreign Corrupt Practices Act, which “included an overview of the restrictions on sales to certain countries, including Iran.” In early August 2013, a Stanley Black & Decker Global Trade Compliance for China employee reviewed the company’s trade compliance policies and procedures with the GQ Manager for Export Sales by telephone. After this one training session, the person who had conducted the training asked the GQ Manager for Export Sales to provide this same training to her team within GQ, and to designate two members of her team to attend additional training on a customer screening tool. Stanley Black & Decker Global Trade Compliance for China employee reviewed Stanley Black & Decker’s trade compliance policies

and procedures again with the GQ Manager for Export Sales and members of GQ's export sales team in August 2014. Notwithstanding the above-referenced trainings, Stanley Black & Decker did not implement procedures to monitor or audit GQ's operations to ensure that its Iran-related sales had in fact ceased or did not recur post-acquisition.

Despite the written agreements GQ's senior management executed in which they attested that GQ would not engage in transactions with Iran and notwithstanding the above-referenced trainings Stanley Black & Decker provided, GQ continued to export goods to Iran throughout 2013 and 2014. The first such sale commenced eight days following Stanley Black & Decker's acquisition of GQ. Once Stanley Black & Decker became aware of the potential violations of U.S. economic sanctions, it initiated an internal investigation, subsequently hired a third-party independent investigative company, and ultimately reported the matter to OFAC.

Stanley Black & Decker's internal investigation determined various GQ board members and senior management participated in these activities with knowledge that such conduct violated its parent company's policies and U.S. economic sanctions against Iran. These personnel and other GQ employees appear to have engaged in non-routine business practices in order to conceal and facilitate GQ's prohibited exports to Iran. GQ utilized six trading companies as conduits for these sales — four companies located in the United Arab Emirates (UAE) and two companies located in China. In addition, GQ employees created fictitious bills of lading with incorrect ports of discharge and places of delivery and instructed their customers not to write "Iran" on business documents, such as bills of lading.

Stanley Black & Decker's internal investigation identified specific examples in which GQ employees — specifically including managers and supervisors — were aware of, and played an active role in, the conduct which led to the apparent violations described in the Agreement. Some of these examples are provided below.

- On August 21, 2014, a UAE general trading company placed an order with GQ for electric drills, demolition hammers, angle grinders, orbital sanders, jigsaws and other power tools in the amount of \$141,608. Stanley Black & Decker's investigation identified a spreadsheet on the computer of GQ's Chairman, which stated in a "comments" column "Iran" next to this entry. In addition, the value reported in the spreadsheet for this entry in Chinese Renminbi was nearly identical to the U.S. Dollar value of the shipment.
- Stanley Black & Decker identified two additional transactions and shipments with a separate UAE general trading company. Of the company's four directors — three of whom are Iranian nationals — one disclosed during an interview that the general trading company maintains a head office and showroom in Iran and that its office in the UAE imports power tools and other Chinese brands which are subsequently exported to Iran. Stanley Black & Decker's investigation revealed that members of GQ's export sales team knew that the sales to this UAE general trading company were likely destined for Iran. For example, on August 13, 2014, the GQ Manager for Export Sales sent an email to a GQ export sales team member confirming that the UAE general trading company's ultimate customer was a firm located in Iran. The

investigation also identified emails between GQ's Vice Chairman and a Director at the Iranian firm.

- On July 23, 2014, GQ issued an invoice to an Iranian firm. On August 15, 2014, a GQ export sales team member emailed a Director at the Iranian firm notifying him that the word "Iran" could not be used in the contract document and, instead, instructed him that the contract should reference "DUBAI" (emphasis original). In the same message, the GQ export sales team member explained to the Director at the Iranian firm "we all know the goods [sic] to Iran."
- Stanley Black & Decker identified two transactions and shipments with a separate UAE general trading company. The transactions booked in GQ's finance ledgers for this particular UAE general trading company stated the goods were actually shipped to an Iranian national who did business with GQ prior to Stanley Black & Decker's acquisition of the company. In email correspondence with the Iranian national, a GQ export sales agent stated in one message that GQ could "accept all ports but not the ports from IRAN" (emphasis original), agreed to follow up on identifying Azerbaijan instead, and followed up in another message to remind the Iranian national not to "issue IRAN on B/L [bill of lading]" (emphasis original).
- Stanley Black & Decker identified 16 GQ exports of products to Iran through a Chinese enterprise headquartered in Iran. In each of the 16 bills of lading prepared for these transactions, the place of delivery and the consignee's address was in Iran, and for each transactions the bill of lading indicated that the recipient/consignee or place of delivery/port of discharge/destination of the shipments were Iran. Stanley Black & Decker's investigation identified several falsified bills of lading associated with at least six of these transactions in which the destination of the goods was identified as Jebel Ali in the UAE.

OFAC's investigation determined that Respondent, between on or about June 29, 2013 and on or about December 30, 2014, exported, or attempted to export, 23 shipments of power tools and spare parts, with a total value of \$3,201,647.73, to Iran or to a third country with knowledge that such goods were intended specifically for supply, transshipment, or reexportation, directly or indirectly to Iran, which would have been prohibited if engaged in by a U.S. person under §§ 560.203 and 560.204 of the ITSR. As a result, these transactions appear to have violated § 560.215 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (referred to hereafter as the "Apparent Violations").

### III. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations arising under the legal authorities that OFAC administers.



2. In consideration of the undertakings of OFAC in paragraph 1 above, Respondent agrees:
  - A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:
    - (i) sign, date, and mail an original and electronic signed copy of this Agreement to: [REDACTED], Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent mailed the signed Agreement to OFAC; and
    - (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **\$1,869,144**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing **ENF 42949**. Unless otherwise arranged with the U.S. Department of the Treasury's Bureau of the Fiscal Service, Respondent must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement; or (2) enclose with this Agreement the payment by cashier's or certified check or money order.
  - B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.
  - C. Respondent has terminated the conduct described above and has established, and agrees to maintain, sanctions compliance measures that are designed to minimize the risk of recurrence of similar conduct in the future. Specifically, OFAC and Respondent understand that the following compliance commitments have been made:
    - i. **Management Commitment:**
      - a. Respondent commits to ensuring that its Senior Management, including the organization's Chief Executive Officer and General Counsel, are committed to supporting Respondent's OFAC compliance program.
      - b. Respondent commits to ensuring that its compliance unit(s) are delegated sufficient authority and autonomy to deploy its policies

and procedures in a manner that effectively controls Respondent's OFAC risk.

- c. Respondent commits that Senior Management has reviewed and approved the Respondent's sanctions compliance plan.
- d. Respondent commits to ensuring that its compliance unit(s) receive adequate resources, including in the form of human capital, information technology, and other resources, as appropriate.
- e. Respondent commits to ensuring that Senior Management promotes a "culture of compliance" throughout the organization and empowers its sanctions compliance program and personnel.
- f. Respondent's Senior Management demonstrates recognition of the seriousness of apparent violations of the laws and regulations administered by OFAC, and acknowledges its understanding of the apparent violations at issue, and commits to implementing necessary measures to reduce the risk of reoccurrence of similar conduct and apparent violations from occurring in the future. Specifically with respect to the conduct outlined above, Respondent agrees that it no longer employs, and will not employ, either directly or indirectly, the managers responsible for, and involved in, the Apparent Violations.

ii. **Risk Assessment:**

- a. Respondent represents that it conducts an OFAC risk assessment in a manner, and with a frequency, that adequately accounts for potential risks. Such risks could be posed by its clients and customers, products, services, supply chain, intermediaries, counter-parties, transactions, and geographic locations, depending on the nature of the organization. The risk assessment will be updated to account for the root causes of any apparent violations or systemic deficiencies identified by Respondent during the routine course of business.
- b. Respondent represents that it has developed a methodology to identify, analyze, and address the particular risks it identifies. The risk assessments will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by Respondent organization during the routine course of business.

**iii. Internal Controls:**

- a. Respondent has designed and implemented written policies and procedures outlining its sanctions compliance plan. These policies and procedures are relevant to the organization, capture the Respondent's day-to-day operations and procedures, are easy to follow, and prohibit employees from engaging in misconduct.
- b. Respondent commits to ensuring that it maintains clear and effective internal controls pertaining to its ability to identify, interdict, escalate, and report (as appropriate) transactions and activity prohibited by OFAC regulations.
- c. Respondent commits to enforcing the policies and procedures it implements as part of its OFAC compliance internal controls.
- d. Respondent commits to ensuring that its OFAC-related recordkeeping policies and procedures adequately account for its requirements pursuant to the sanctions programs administered by OFAC.
- e. Respondent commits to ensuring that, upon learning of a weakness in its internal controls pertaining to OFAC compliance, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.
- f. The Respondent has clearly communicated the sanctions compliance plan's policies and procedures to all relevant staff, including personnel within the sanctions compliance function, as well as relevant gatekeepers and business units operating in high-risk areas (e.g., customer acquisition, payments, sales, etc.).
- g. The Respondent has appointed personnel to integrate the sanction compliance program's policies and procedures into the Respondent's daily operations. This process includes consultations with relevant business units, and confirms that Respondent's employees understand the policies and procedures.
- h. Specifically with respect to the conduct outlined above, Respondent agrees that it has improved its recordkeeping policies and procedures to enable effective auditing and monitoring of its operations.

**iv. Testing and Audit:**

- a. The Respondent commits to ensuring that the testing or audit function is accountable to the board, is independent of the audited activities and functions, and has sufficient standing, skills, resources, and authority within the organization.
- b. Respondent commits to ensuring that it employs testing and audit procedures appropriate to the level and sophistication of its OFAC compliance program and that this function, whether deployed internally or by an external party, reflects a comprehensive and objective assessment of Respondent's OFAC-related risks and internal controls.
- c. Respondent commits to updating its risk assessment and reviewing its sanctions policies, procedures, and practices on a periodic basis in order to identify and correct any weaknesses or deficiencies.
- d. Respondent commits to ensuring that, upon learning of a confirmed negative testing or audit result pertaining to its OFAC compliance program, it will take immediate and effective action to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.

**v. Training:**

- a. Respondent commits to ensuring that its OFAC-related training program provides adequate information and instruction to employees and stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's OFAC compliance efforts.
- b. Respondent commits to providing OFAC-related training with a scope that is appropriate for the products and services it offers, clients and partner relationships it maintains, and the geographic regions in which it operates.
- c. Respondent commits to providing OFAC-related training with a frequency that is appropriate based on its OFAC risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.
- d. Respondent commits to ensuring that, upon learning of a confirmed negative testing, audit result, or deficiency pertaining to its OFAC compliance programs, it will take immediate and effective action to provide training to relevant personnel.

- e. The Respondent's training program includes easily accessible resources and materials that are available to all relevant personnel.
    - f. Specifically with respect to the conduct outlined above, Respondent agrees will train employees to follow recordkeeping practices necessary to enable effective auditing and monitoring of its operations.
  - D. Starting from 180 days after the Agreement is fully executed, a senior-level executive or manager of Respondent will submit an interim progress report on the implementation of the measures above. On an annual basis, for a period of five years, starting from one year after the Agreement is fully executed, a senior-level executive or manager of Respondent will submit a certification confirming that Respondent has implemented and continued to maintain the measures highlighted above.
  - E. Should the Respondent engage in any violations of the sanctions laws and regulations administered by OFAC — including those that are either apparent or alleged — OFAC may consider Respondent's sanctions history, or its failure to employ an adequate sanctions compliance program or appropriate remedial measures, associated with this Agreement as a potential aggravating factor consistent with the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A.
  - F. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent has materially breached its obligations or made any material misrepresentations under paragraph 2 above, OFAC shall provide written notice to Respondent of the alleged breach or material misrepresentations and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to determine that no material breach or material misrepresentation has occurred or that any breach or material misrepresentation has been cured. In the event OFAC determines that a material breach or misrepresentation of this Agreement has occurred, OFAC will provide notice to Respondent of its determination and whether OFAC is re-opening its investigation. The statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following Respondent's receipt of notice of OFAC's determination that a breach of this Agreement has occurred.
3. This Agreement does not constitute a final agency determination that a violation has occurred, and shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.
  4. This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.



- 5. OFAC may, in its sole discretion, post on OFAC's website the entire Agreement and/or issue a public statement about the facts of this Agreement, including the identity of any entity involved, the settlement amount, and a brief description of the Apparent Violations.
- 6. This Agreement consists of 9 pages and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.
- 7. This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

Respondent accepts the terms of this Settlement Agreement this 13<sup>th</sup> day of March, 2019.

Janet Malloy Link  
Signature

Janet Malloy Link  
Respondent's Printed Name (or in the case of an entity, the name of Respondent's Duly Authorized Representative)

SVP, General Counsel and Secretary  
Stanley Black & Decker Inc.  
Printed Title of Respondent's Duly Authorized Representative and Name of Entity (if applicable)

Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 2(A)(ii) and the Electronic Funds Transfer Instructions enclosed with this Agreement).

Date: March 14, 2019

Andrea M. Gacki

Andrea M. Gacki  
Director  
Office of Foreign Assets Control

Enclosure