



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 Alfa Laval Middle East Ltd. (“AL Middle East” or “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.

AL Middle East, a company located in Dubai, United Arab Emirates (U.A.E.), is the regional head office for the Middle East and North Africa region of its ultimate parent company, Sweden-based Alfa Laval AB. Alfa Laval AB and AL Middle East sell and market products and services for heat transfer, separation, and fluid handling equipment in the energy, environment, food, and marine industries, among others. AL Middle East oversees orders, delivery, and commissioning along with after-sales support that includes technical services and the supply of spare parts.

II. APPARENT VIOLATIONS

OFAC determined that AL Middle East committed one apparent violation of § 560.203(a) of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (“ITSR”) by causing a U.S. person, Alfa Laval Inc. (“AL U.S.”), to violate § 560.204 of the ITSR by exporting \$18,585 worth of U.S.-origin goods indirectly to Iran on or about March 26, 2016.

Additionally, AL Middle East committed one apparent violation of § 560.203(b) of the ITSR in forming a conspiracy with two Iran-based firms and one Dubai-based company to cause a U.S. person to violate § 560.204. This conspiracy took place from on or about August 8, 2015 to on or about May 5, 2016 and involved conduct relating to an export worth \$18,585 described above, an incomplete export transaction worth \$5,170, and future contemplated transactions worth \$181,453.¹

Enforcement determined that this matter was not voluntarily self-disclosed and determined that the conduct at issue (hereafter the “Apparent Violations”) was egregious.

¹ For penalty calculation purposes, only the latter two values are included in the valuation of the transactions that formed the conspiracy under § 560.203(b), as the value of the completed export is included in the penalty associated with the apparent violation of § 560.203(a).

III. FACTUAL STATEMENT

Enforcement opened its investigation after AL U.S., the principal U.S.-based subsidiary of Alfa Laval AB with its head office in Richmond, Virginia, filed a self-disclosure with OFAC. In the disclosure, AL U.S. stated that its operations located in Exton, Pennsylvania (“AL Tank”), might have “implicated the ITSR” by facilitating a business opportunity between Iran-based Alborz Pakhsh Parnia Company (“Alborz”) and AL Middle East that ultimately led to the exportation of U.S.-origin AL Tank products to Iran. The export also involved AL Iran, a subsidiary of Alfa Laval AB, and a Dubai company. The Dubai company was falsely listed as the end-user on invoices at the behest of AL Middle East for U.S.-origin AL Tank products that were in fact destined for Alborz in Iran.

AL Tank’s Referral of an Iranian Business Opportunity

On May 27, 2015, the CEO of Alborz emailed AL Tank to inquire about purchasing its Gamajet cleaning units, describing his company as based in Iran. AL Tank’s U.S.-based portfolio manager for tank cleaning equipment responded to the email by providing a recommendation for AL Tank products, pricing information, product descriptions and specifications, and an offer to prepare a quote. In replying, the CEO of Alborz specifically asked the portfolio manager at AL Tank, “is there the possibility of delivery to our country [Iran]? Please explain about condition of delivery.”

The portfolio manager then forwarded the email to a tank cleaning portfolio manager at Alfa Laval Denmark (“AL Denmark”), on August 7, 2015, asking “who would be the best contact for Iran for an oil&gas inquiry?” AL Denmark recommended as a good point of contact a sales manager in the sanitary division for the Middle East region at AL Middle East, who in turn recommended another AL Middle East employee, the manager for the Middle East region. The regional manager for AL Middle East and the portfolio manager for AL Tank exchanged emails between August 11 and August 17, 2015 discussing whether AL Tank could quote or sell items from the United States to Iran. On August 17, 2015, the portfolio manager for AL Tank referred the CEO of Alborz to the AL Middle East regional manager as the point of contact for sales to Alborz.

Formation of the Conspiracy

Following the referral, the sales manager for AL Middle East and AL Iran’s general manager communicated with Alborz regarding potential sales to Iran that would use AL Middle East’s distributor relationship with the Dubai company. The sales manager for AL Middle East then traveled to Iran in late January 2016 in order to meet with Alborz, where they discussed how to export Gamajet products into Iran.

Shortly afterwards, on February 5, 2016, AL Denmark asked the portfolio manager for AL Tank to set up a meeting with the sales manager for AL Middle East to discuss exporting goods into Iran. Just over two weeks later, on February 23, 2016, the owner of the Dubai company emailed the sales manager and the senior sales engineer for AL Middle East a memo from Alborz (the “Alborz memo”) with the following message: “... Alborz Pakhsh Parnia Company is

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one of the oil products distribution company at gas stations in Iran which distributes the oil products in gas stations of all over the country. Our company wants to purchase a number of Gamma-jet equipment from Alfa Laval Company” To that end, the Alborz memo outlined a strategy for importing U.S.-origin goods into Iran, involving AL Iran, AL Middle East, and the Dubai company.

Prior to the March 26, 2016 export, Alfa Laval Group’s General Counsel sent a memo on January 27, 2016 to Alfa Laval employees regarding an export control update on Iran in response to the Joint Comprehensive Plan of Action. This memo noted that “any transactions involving US persons, USD, or US origin/content products are still prohibited under the remaining US sanctions on Iran.” This memo was emailed to the employees of AL Middle East and AL Iran on January 31, 2016, including those involved in the conspiracy at AL Middle East and AL Iran. This demonstrates that the managers from AL Middle East and AL Iran had knowledge of U.S. sanctions prohibitions on Iran prior to the March 26, 2016 export.

The Exportation/Re-exportation of U.S.-Origin Goods to Iran

Following the plan laid out in the Alborz Memo, AL Middle East caused AL Tank, a U.S. person, to export two Gamajet 10 cleaning machines and accessories to Iran. On March 5, 2016, the senior sales engineer at AL Middle East sent the Dubai company a proforma invoice for the Gamajet products worth \$18,585.36. The next day, “[the Dubai company] requested its bank to transfer \$18,585.36 to AL Middle East in payment for the Gamajet equipment ultimately destined for Alborz in Iran,” according to a memo from the Dubai company to a bank in Dubai.

On March 7, 2016, the portfolio manager for AL Tank then sent the senior sales engineer at AL Middle East with an updated “Gamajet Quotation Invoice,” which increased the number of Gamajet products at the request of the Dubai company. The following day, the senior sales engineer at AL Middle East confirmed the order, and the portfolio manager for AL Tank told the senior sales engineer at AL Middle East to send the purchase order to AL U.S.’s Americas Distribution Center. The portfolio manager for AL Tank also asked the senior sales engineer at AL Middle East for the name of the end user, to which the senior sales engineer at AL Middle East replied, “this machine is for [the Dubai company], UAE.” In an interview, the senior sales engineer at AL Middle East stated, “the identification of [the Dubai Company] rather than Alborz was at the instruction of the [sales manager for AL Middle East].”

On March 8, 2016, the senior sales engineer at AL Middle East issued an “Order Confirmation” to the Dubai company, while AL Middle East issued an invoice for the transaction on March 17, 2016. On March 26, 2016, two Gamajet 10 cleaning machines and accessories were exported by Alfa Tank to the UAE for subsequent delivery to the Dubai company. Consistent with the Alborz memo, the Dubai company then supplied the Gamajet products to Alborz in Iran.

Attempts to Further the Conspiracy

Shortly after the March 26, 2016 shipment, AL Middle East appears to have begun organizing additional sales of Gamajet products on behalf of Alborz in the same manner as the

initial sale, as indicated between an email exchange between the senior sales engineer at AL Middle East and the portfolio manager for AL Tank between April 9 and April 12, 2016:

Senior sales engineer at AL Middle East: As you know that we have sold 2 sets of gamajet, pump and lance. Customer actually wants to make a mobile unit for this one. Is there any special instructions for how to make this mobile unit.[?] We have to support them in each and every stage because they are planning to build 20 more mobile units if they succeed with these two.”

The email suggests that Alborz is the customer the senior sales engineer at AL Middle East is referring to in order to acquire more Gamajet Cleaning Machines, and highlights AL Middle East’s intent to fulfil future requests from Alborz.

Subsequently, from April 27, 2016 to May 4, 2016, the senior sales engineer at AL Middle East and the Dubai company communicated about the potential sale of additional Gamajet equipment to Alborz, showing an intent to pursue additional deals. On May 4, 2016, the senior sales engineer at AL Middle East sent the Dubai company a “Quotation” invoice for a Gamajet 10 dual nozzle with a total value of \$5,170.

As described below, the April and May inquiries did not result in U.S.-origin Gamajet products actually being sent to Iran. However, had the U.S. Government not intervened (as described below), it is clear that AL Middle East fully intended to further the objective of its conspiracy by supplying products in the May 4, 2016 Quotation to Iran as it did in the March 26, 2016 export. Had the twenty Gamajet units order come to fruition as expressed and contemplated in the April email, Alborz would have received approximately \$181,453.60 worth of U.S.-origin AL Tank products.

Termination of the Conspiracy

On April 13, 2016, the U.S. Department of Commerce Bureau of Industry and Security (“BIS”) requested a post-shipment verification from AL U.S. regarding the March 26, 2016 export of the Gamajet products. The BIS Export Control Officer’s post-shipment verification report stated the Dubai company provided documentation showing that the exports in question were re-exported to Iran.

As a result of BIS’s inquiry, AL U.S. hired outside counsel in July of 2016 to conduct an internal investigation of the Apparent Violations. The findings of the investigation from AL U.S. were submitted to OFAC on January 23, 2017. In those findings, AL U.S. stated:

AL US came to understand that employees at AL Middle East and AL Iran introduced Alborz to [the Dubai company] for the purpose of identifying this distributor (rather than Alborz) as the ultimate consignee and customer on transactional documents such that the transaction would not be identified as a prohibited export from the United States to Iran.

The transactions contemplated by AL Middle East on behalf of Alborz in the May 4, 2016 “Quotation” invoice to Iran ultimately did not take place, apparently as a result of BIS’s post-

shipment verification inquiry and AL U.S.'s subsequent investigation, which resulted in the termination of the employees who partook in the conspiracy.

IV. TERMS OF SETTLEMENT

OFAC and AL Middle East 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 and represents:
 - A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:
 - (i) sign, date, and email a signed copy of this Agreement to [REDACTED]. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent emailed the signed Agreement to OFAC; and
 - (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **\$415,695**. Respondent's obligation to pay this settlement amount will be credited by an amount equal to what Respondent pays to BIS pursuant to its agreement arising out of the same conduct. 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 47722**. 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 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. **Compliance Commitments:** Respondent has terminated the conduct described above and has established and agrees to maintain for at least five years following the date this Agreement is executed, 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:

a. **Management Commitment:**

- i. Respondent commits that senior management has reviewed and approved Respondent's sanctions compliance program.
- ii. Respondent commits to ensuring that its senior management, including senior leadership, executives, and the board of directors, are committed to supporting Respondent's OFAC compliance program.
- iii. Respondent commits to ensuring that all compliance units are delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls Respondent's OFAC risk.
- iv. Respondent commits to ensuring that all compliance units receive adequate resources—including in the form of human capital, expertise, information technology, and other resources, as appropriate—that are relative to Respondent's breadth of operations, target and secondary markets, and other factors affecting its overall risk profile.
- v. Respondent commits to ensuring that senior management promotes a "culture of compliance" throughout the organization.

b. **Risk Assessment:**

- i. Respondent represents that it conducts and will continue to conduct 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.
- ii. 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 during the routine course of business, for example, through a testing or audit function.

c. **Internal Controls:**

- i. Respondent has designed and implemented written policies and procedures outlining its sanctions compliance program. These policies and procedures

are relevant to the organization, capture Respondent's day-to-day operations and procedures, are easy to follow, and designed to prevent employees from engaging in misconduct.

- ii. The organization has implemented internal controls that adequately address the results of its OFAC risk assessment and profile. These internal controls should enable Respondent to clearly and effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by OFAC. To the extent information technology solutions factor into Respondent's internal controls, Respondent has selected and calibrated the solutions in a manner that is appropriate to address Respondent's risk profile and compliance needs, and Respondent routinely tests the solutions to ensure effectiveness.
- iii. Respondent commits to enforcing the policies and procedures it implements as part of its sanctions compliance internal controls through internal or external audits.
- iv. 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.
- v. Respondent commits to ensuring that, upon learning of a weakness in its internal controls pertaining to sanctions 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.
- vi. Respondent has clearly communicated the sanctions compliance program'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.) and to external parties performing sanctions compliance responsibilities on behalf of Respondent.
- vii. Respondent has appointed personnel to integrate the sanction compliance program's policies and procedures into Respondent's daily operations. This process includes consultations with relevant business units and confirms that Respondent's employees understand the policies and procedures.
- viii. Specifically with respect to the conduct outlined above, AL Middle East agreed to adopt heightened review and screening processes for Iran-related transactions that require sign-off for each such transactions by AL Middle East's Sales Administration and Contracts Manager.

d. Testing and Audit:

- i. Respondent commits to ensuring that the testing or audit function is accountable to senior management, is independent of the audited activities and functions, and has sufficient authority, skills, expertise, resources, and authority within the organization.
- ii. Respondent commits to ensuring that it employs testing or audit procedures appropriate to the level and sophistication of its sanctions 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 risk assessment and internal controls.
- iii. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding pertaining to its sanctions compliance program, 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.

e. Training:

- i. Respondent commits to ensuring that its OFAC-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's sanctions compliance efforts.
- ii. Respondent commits to providing OFAC-related training with a scope that is appropriate for the products and services it offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.
- iii. 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.
- iv. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its sanctions compliance program, it will take immediate and effective action to provide training to relevant personnel.
- v. Respondent's training program includes easily accessible resources and materials that are available to all applicable personnel.

- vi. Specifically with respect to the conduct outlined above, AL Middle East has agreed to conduct additional in-person training to reinforce Alfa Laval's Export Control Policy.
 - f. **Annual Certification:** On an annual basis, for a period of five years, starting from 180 days after the date the Agreement is executed, a senior-level executive or manager of Respondent will submit a certification confirming that Respondent has implemented and continued to maintain the sanctions compliance measures as committed above.
- D. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent appears to have materially breached its obligations or made any material misrepresentations under Subparagraph C (Compliance Commitments) above, OFAC shall provide written notice to Respondent of the alleged breach or 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 misrepresentations has occurred or that any breach or misrepresentation has been cured.
- E. In the event OFAC determines that a material breach of, or misrepresentation in, this Agreement has occurred due to a failure to perform the Compliance Commitments, 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, or misrepresentation in, this Agreement has occurred.
- F. 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.
- 3. This Agreement 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 monetary 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 this entire Agreement and issue a public statement about the factors of this Agreement, including the identity of any entities involved, the settlement amount, and a brief description of the Apparent Violations.

ENF 47722

Alfa Laval Middle East Ltd.


6. This Agreement consists of ten 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 Agreement on this 28 day of April, 2021.



Signature

SERGIO HIKE
Sergio Hike

 Alfa Laval Middle East Ltd.
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Managing Director, Alfa Laval Middle East Ltd.

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 EFT Instructions enclosed with this Agreement).

Date: _____

Bradley T. Smith Digitally signed by Bradley T. Smith
Date: 2021.04.29 10:34:01 -04'00'

Bradley T. Smith
Acting Director
Office of Foreign Assets Control