



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

SETTLEMENT AGREEMENT

This settlement agreement (the “Agreement”) with respect to **ENF 53671** is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and 3M Company (3M), a Delaware corporation, on behalf of its subsidiaries and affiliates worldwide (“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.

3M is a multinational manufacturing company headquartered in St. Paul, Minnesota, producing a wide range of consumer and non-consumer goods.

3M (East) AG (“3M East”) is a subsidiary of 3M located in Switzerland that supports sales in Eastern European countries.

3M Gulf Limited (“3M Gulf”) is a subsidiary of 3M located in Dubai that manages 3M’s operations in countries across the Middle East region.

II. APPARENT VIOLATIONS

Between September 2016 and September 2018, Respondent appears to have violated §§ 560.204, 560.206, and 560.215 of the Iranian Transactions and Sanctions Regulations, 31 CFR 560 (the “ITSR”) on 54 occasions (the “Apparent Violations”). Forty-three of the Apparent Violations occurred when 3M East exported reflective license plate sheeting (“RLPS”) to Bonyad Taavon Naja (“BTN”), the Iranian Police Cooperative Foundation, via a German intermediary (“the Iran business”). An additional 11 Apparent Violations occurred when a U.S. person 3M Gulf employee engaged in various dealings related to these sales. The transactions giving rise to the Apparent Violations of the ITSR are valued at approximately \$10 million. OFAC determined that the Apparent Violations were voluntarily self-disclosed and constitute an egregious case.

Section 560.215 of the ITSR prohibits foreign entities owned or controlled by a U.S. person from knowingly engaging in any transaction with any person subject to the jurisdiction of the Government of Iran that would be prohibited if engaged in by a U.S. person. General License (GL) H, issued on January 16, 2016, which was in effect at the time of the Apparent Violations, permitted foreign subsidiaries of U.S. companies to conduct certain transactions with Iran. GL H, however, did not authorize the involvement of U.S. persons in Iran-related business or transactions involving certain Iranian government entities, including law enforcement entities,

or affiliates thereof. Under § 560.701(a)(4), a U.S. person may be subject to civil penalties if foreign entities it owns or controls violate this prohibition. Because 3M East and 3M Gulf's conduct, as described below, would be prohibited for U.S. persons, 3M Company is liable for the Apparent Violations of its controlled foreign subsidiaries.

III. FACTUAL STATEMENT

In November 2015, in anticipation of the implementation of the Joint Comprehensive Plan of Action (JCPOA), 3M Gulf employees began working on a proposal to sell RLPS to a German company ("the German intermediary") for use in Iran. In January 2016, the JCPOA went into effect and OFAC published GL H, authorizing foreign subsidiaries of U.S. companies to engage in certain transactions involving Iran as long as they met the conditions of the license. Shortly thereafter, 3M Gulf's Trade Compliance unit sent an internal notice summarizing GL H, specifically noting the prohibitions on U.S. person involvement and on transactions with certain Iranian government entities.

On March 3, 2016, a 3M Gulf employee submitted the sales proposal to Trade Compliance for review. According to the proposal, the German intermediary would use the RLPS to make license plate blanks and sell them to Iranian "transportation authorities (government)." On March 8, 2016, Trade Compliance counsel (the 3M attorney primarily responsible for establishing 3M's policy and advising on its business in Iran, including business pursuant to GL H) approved the RLPS proposal. In doing so he made clear that the approval was only for the specific scenario described, specifically the "conversion" of the RLPS into license plate blanks for onward sale to Iran. The Trade Compliance employee responsible for doing restricted party checks mistook the German intermediary to be the end user of the RLPS and did not perform due diligence on the Iranian entity.

Days later, on March 10, Trade Compliance issued the *3M Gulf Procedure for Business Activities in Iran*, setting out the internal approval process for business with Iran, and again noting the prohibitions on both U.S. person involvement and transacting with Iranian law enforcement entities. The procedure stated that 3M Gulf Trade Compliance would screen all third parties involved in the business and then consult with a Trade Compliance attorney located at 3M headquarters on whether the proposal was consistent with applicable laws. This procedure was emailed to, among others, the two manager-level employees most closely involved in the Iran business at 3M Gulf and 3M East ("the Proponents").

On April 15, 2016, the German intermediary notified the Proponents that this would be a resale directly to BTN, not a conversion. Despite this departure from the proposal as approved, the Proponents did not bring this change to Trade Compliance's attention. Weeks later, these employees received an outside due diligence report on BTN subsidiaries Naji Pas and the Rahgosha Institute, which flagged a connection between Naji Pas and the Iranian police. In order to allay potential concerns, these employees claimed the link to the Government of Iran—without reference to the police specifically—was known already, implying no further due diligence was needed. On May 17, 2016, Trade Compliance provided training to 3M Gulf employees on the March 2016 *3M Gulf Procedure for Business Activities in Iran*, and shortly thereafter sent the presentation slides to those invited, including the Proponents.

Although Respondent had a compliance program in place, and specifically created a process for evaluating the Iran business against the prohibitions of GL H, certain employees, including employees coordinating trade compliance matters with 3M's Trade Compliance department, did not follow it. Between May and September 2016, the Proponents continued to refer to the Iran business as a conversion from RLPS into license plates, even after the German intermediary clarified that it would be reselling the product to BTN. They appear to have done this to avoid having to get the proposal re-reviewed by Trade Compliance, which would have likely spurred a more fulsome review of the Iranian end users. Additionally, the Proponents changed the contracting entity from 3M Gulf to 3M East despite 3M policies, which provided that all Iran-related business should be done through 3M Gulf since that was the 3M entity with an Iran-specific compliance process. When numerous managers involved in planning the logistics of the Iran business raised concerns, "including about the shift out of 3M Gulf, the identity of the end user, and the need to go back to [Trade Compliance] Counsel for review of the transaction," the Proponents ignored them. At other times, the Proponents accurately described the Iran business as a resale, but falsely claimed they had already received approval from Trade Compliance.

Additionally, the Proponents withheld key information or provided incorrect information during two separate internal compliance assessments. When the Proponents received the due diligence report linking Najj Pas with the Iranian police, they agreed to limit its circulation to just themselves. Rather than viewing the association with Iranian law enforcement as a red flag for heightened scrutiny, they invoked the link to the Government of Iran as justification to avoid completing a full end user assessment, which was not required for wholly government entities or indirect end users. Had employees completed this review process, compliance employees and 3M counsel likely would have been alerted to the relationship between the end user and the Iranian Law Enforcement Forces.

3M East and the German intermediary signed the distributor agreement on September 22, 2016, with the first order of RLPS shipping to Iran from Germany later that week. Between that date and September 2018, 3M East sent 43 shipments of RLPS to the German intermediary, who then resold it to BTN.

Additionally, despite knowing the prohibition on U.S. person involvement in business dealings with Iran and receiving internal guidance on this prohibition on multiple occasions, one U.S. person approved six credit notes relating to the Iran business, contributed to two internal assessments, and assisted with a quality control issue. Additionally, this U.S. person received sales incentives partially based on the Iran business in both 2017 and 2018. The Proponents were aware the U.S. person could not be involved in the Iran business, but nevertheless instructed him to perform related tasks on several occasions.

After discovering the Apparent Violations, Respondent subsequently voluntarily self-disclosed the Apparent Violations to OFAC, terminated several employees, and ceased doing business with the German intermediary.

IV. 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 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 digital copy of this agreement to: Emily Cooperman (), Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220; and
 - (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of \$9,618,477. 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 53671. 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, 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. **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 compliance unit(s) is (are) delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls Respondent's sanctions risk.
 - iii. Respondent commits to ensuring that its compliance unit(s) receives (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.
 - iv. Respondent commits to ensuring that senior management promotes a "culture of compliance" throughout the organization.
 - v. Respondent's senior management recognizes 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 recurrence of apparent violations in the future.
- b. **Risk Assessment:**
- i. Respondent 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, counterparties, transactions, or geographic locations, depending on the nature of the organization.
 - ii. Respondent has developed a methodology to identify, analyze, and address the particular risks. 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. Respondent has implemented internal controls that adequately address the results of its sanctions 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 sanctions 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, Respondent has terminated or formally reprimanded the employees involved, hired a new Trade Compliance attorney, and enhanced various internal processes including those for due diligence and compliance review.

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 sanctions-related risks 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, Respondent has enhanced compliance training for its employees.

ENF 53671
3M Company

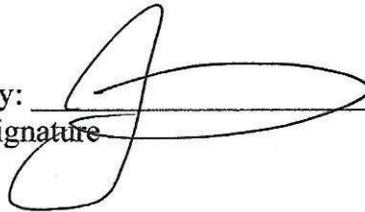
Enforcement Division, Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

7. This Agreement consists of nine 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.

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 25th day of August, 2023.

By: _____
Signature



8/25/23

3M Company

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

John M. Bauer, Senior Vice President, Logistics, Enterprise Supply Chain, 3M Company

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 EFT Instructions enclosed with this Agreement).

Date: August 29, 2023

Andrea M.
Gacki

Digitally signed by Andrea
M. Gacki
Date: 2023.08.29 17:29:16
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Andrea M. Gacki
Director
Office of Foreign Assets Control