



**U.S. DEPARTMENT OF THE TREASURY
OFFICE OF FOREIGN ASSETS CONTROL**



SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") with respect to ENF [REDACTED] is made by and between the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Harman International Industries, Inc. (Harman), including its subsidiaries worldwide (collectively referred to hereafter as "Respondent").

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, human rights abusers, 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.

Harman, a multinational audio electronics company, is an independent subsidiary of Samsung Electronics (Samsung), and headquartered in Stamford, Connecticut. Harman products include car systems, audio/visual products, consumer electronics, and enterprise automation solutions. Harman employs approximately 30,000 people globally.

II. FACTUAL STATEMENT

From at least May 22, 2018 through October 27, 2020, Harman's longtime United Arab Emirates (UAE) distributor ("the Distributor") sold Harman products to customers in Iran, with the knowledge of 13 British employees (the "British Sales Team") employed directly by Harman's U.S. subsidiary, Harman Professional, Inc. (Harman Pro). These employees included a Sales Director, a Senior Director for Finance, a Senior Commercial Director, Global Sales, a Director of Sales Operations, a Regional Director, a Technical Director, and an Account Manager. Each of these foreign national employees was a middle-level manager.

In dealings with the Distributor, Harman Pro would provide its products to the Distributor on an "ex works" basis¹ from Harman's distribution center in Denmark, with the Distributor taking responsibility from that point onward for shipment to its warehouse facilities in the UAE.

While Harman Pro did have in place contractual terms with the Distributor regarding sanctions compliance, several members of Harman Pro's British Sales Team understood the Distributor's practice of channeling Harman goods the Distributor received in Denmark to Iran, and some suspected that such dealings may be prohibited or unauthorized. From at least December 2016 to October 2019, some members of the British Sales Team used euphemisms to describe the Distributor's sales to Iran. In internal emails and sales presentations, for example, these employees used deceptive terms, such as the "northern region," "North Dubai," and "up north" to obscure references to Iran (Iran is geographically located directly north of the UAE).

¹ Ex works is an international trade term that describes when a seller makes a product available at a designated location, such as factory or plant, and the buyer of the product must cover the transport costs.

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Among other evidence, internal Harman Pro emails shows that certain members of the British Sales Team:

- Discussed the Distributor's potential role in delivering a third-party order to Iran.
- Approved a request for a discount on Harman products that the Distributor planned to ship to the "northern region."
- Rejected a proposal from another Iranian audio-visual sales and servicing distributor seeking to become Harman's Iranian distributor, saying, "We already have one of our partners working in the territory."

On November 5, 2019, Harman Pro sent a formal termination notice to the Distributor because of the Distributor's refusal to pay a \$2.5 million debt and its failure to meet revenue targets, among other reasons, and terminated its relationship with the Distributor on October 27, 2020.

The total value of Harman goods sold to Iran was estimated by mutual agreement to be approximately \$148,261 in 11 shipments between May 22, 2018 and October 27, 2020.

III. APPARENT VIOLATIONS

Section 560.204(a) of the Iranian Transactions and Sanctions Regulations (ITSR) generally prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, technology, or services to Iran or the Government of Iran, including the exportation, reexportation, sale, or supply of any goods, technology, or services to a person in a third country undertaken with knowledge or reason to know that such goods, technology, or services are intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran or the Government of Iran. 31 C.F.R. § 560.204(a).

The British Sales Team's employees were directly employed by Harman Pro, a U.S. person, and their conduct is attributable to Harman. The Distributor's exportation of Harman products from the UAE to Iran—with the knowledge of the British Sales Team—between May 22, 2018 and October 27, 2020 were apparent violations of the ITSR, 31 C.F.R. § 560.204(a).

Pursuant to OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A ("Enforcement Guidelines"), OFAC determined that Respondent's conduct was egregious and was voluntarily self-disclosed.

IV. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

- I. In consideration of the undertakings of Respondent in paragraph 2 below, and subject to the breach provisions of this Agreement in Subparagraphs 2.D and 2.E below, OFAC agrees to enter into a monetary settlement in the amount of **\$1,454,145** and to release and forever discharge Respondent, without any finding of fault, from any and all civil liability

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in connection with the apparent violations described above in Section III (hereinafter, the "Apparent Violations") arising under the legal authorities that OFAC administers.

- A. In view of the particular facts of this matter, OFAC shall suspend \$400,000 of the settlement amount on the condition that the Respondent shall apply this same amount exclusively to future economic sanctions compliance program enhancements (the "Compliance Enhancements") referenced in Subparagraph 2.C below.
2. In consideration of the undertakings of OFAC in paragraph 1 above:
 - A. Respondent agrees, no later than forty-five (45) days after both OFAC and Respondent (collectively, the "parties") have signed this Agreement, to pay the U.S. Department of the Treasury (the "Department") the amount of **\$1,054,145**. 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 [REDACTED]. Unless otherwise arranged with the Department'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) arrange to send the payment by cashier's or certified check or money order.
 - B. Respondent agrees to waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the Department, or its current or former officials and employees arising out of the facts associated with 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. Within eight (8) months of this Agreement being executed, a senior-level executive or manager of Respondent shall submit a work plan for the Compliance Enhancements to OFAC (OFAC_Compliance_Certification@treasury.gov), including an itemized budget of the anticipated expenditures for the Compliance Enhancements claimed against the portion of the settlement amount suspended pursuant to Subparagraph 1.A above. Unless OFAC provides a written objection to the anticipated expenditures within 45 days of receipt of the work plan, that amount shall be credited against the suspended settlement amount. OFAC reserves the right to call into question, at any later date, that any such expenditures were in fact legitimately used to satisfy Respondent's obligations regarding Compliance Enhancements under Subparagraph 1.A above by providing Respondent with written notice of such concerns. OFAC may provide Respondent with an opportunity to cure the same. If OFAC determines, in its sole discretion, that any of the Respondent's expenditures did not satisfy Respondent's obligations regarding Compliance Enhancements under Subparagraph 1.A. above, then the value of such expenditures shall not be credited against the suspended settlement amount.

- D. Respondent shall implement the Compliance Enhancements and make any associated expenditures by or before July 1, 2028. Respondent shall also provide OFAC with reports showing expenditures for the relevant Compliance Enhancements for each year until the Compliance Enhancements are implemented. If Respondent completes the Compliance Enhancements before July 1, 2028, then Respondent shall submit a final expenditure report to OFAC covering the relevant expenditures and shall have no further reporting obligations relating to the settlement amount suspended pursuant to Subparagraph 1.A. above. Any remaining portion of the suspended settlement amount that has not been applied to satisfy Respondent's obligations under Subparagraph 1.A above shall, as reasonably determined by OFAC in consultation with the Respondent, no longer be suspended and Respondent shall pay the relevant remaining portion of the suspended settlement amount to the U.S. Department of the Treasury within thirty (30) days.
- E. **Compliance Commitments:** By entering into this Agreement, Respondent represents that Respondent, including its 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. Respondent also: (1) represents that it has terminated the apparently violative conduct described above; and (2) has established and will maintain, for at least five (5) years following the execution date of this Agreement, a sanctions compliance program, and associated measures, designed to minimize the risk of recurrence of similar conduct.

Specifically, as part of these sanctions compliance measures, Respondent agrees to the following Compliance Commitments:

(1) Management Commitment:

- a. Senior management has reviewed and approved Respondent's sanctions compliance program, including Compliance Enhancements implemented in response to the Apparent Violations and related sanctions compliance risks.
- b. Respondent's 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.
- c. Respondent's compliance unit(s) receive(s) 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, as informed by the risk assessment described in paragraph (2) below.
- d. Respondent promotes a "culture of compliance" throughout the organization.

- e. Respondent commits to implementing any additional necessary measures in the future to reduce the risk of recurrence of apparent violations.

(2) Risk Assessment:

- a. Respondent conducts a sanctions risk assessment in a manner, and with a frequency, that adequately accounts for potential sanctions compliance 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.
- b. 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.

(3) Internal Controls:

- a. 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.
- b. 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. Respondent has selected and calibrated information technology 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.
- c. Respondent's sanctions-related recordkeeping policies and procedures will adequately account for its requirements pursuant to the regulations administered by OFAC.
- d. Upon learning of a weakness in its internal controls pertaining to sanctions compliance, Respondent will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the deficiency can be determined and remediated.
- e. Respondent has clearly communicated its sanctions compliance program's policies and procedures to all relevant staff, including relevant gatekeepers

and business units (e.g., customer acquisition, payments, sales, etc.) as well as, where applicable, external parties acting on behalf of Respondent.

- f. 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.

(4) Testing and Audit:

- a. Respondent will ensure 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.
- b. Respondent will ensure 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.
- c. Respondent will ensure that, upon learning of any test result, audit finding, or other assessment of a failure or deficiency related to its sanctions compliance program, it will take immediate and effective action to identify and implement compensating controls until the root cause of the deficiency can be determined and remediated.
- d. Respondent agrees to expeditiously identify for OFAC any apparent sanctions violation identified through such audits.

(5) Training:

- a. Respondent will ensure that its sanctions-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.
- b. Respondent will provide sanctions-related training with a scope that is appropriate for the products and services that Respondent offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.
- c. Respondent will provide sanctions-related training with a frequency that is appropriate based on its sanctions risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.

- d. Upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its sanctions compliance program, Respondent will take immediate and effective action to provide training to relevant personnel.
 - e. Respondent will ensure that its training program includes easily accessible resources and materials that are available to all applicable personnel.
- (6) **Cooperation with OFAC:** Respondent agrees to cooperate fully with OFAC in any matters under investigation by OFAC, including any investigation of Respondent, or any of its present or former owners, officers, directors, employees, agents, consultant, and any other person within its authority or control, to the extent that Respondent has relevant or responsive information. Respondent agrees that its cooperation pursuant to this paragraph shall include, but not be limited to, timely providing upon request, as determined by OFAC, any information, testimony, document, record, or other tangible evidence about which OFAC may inquire of Respondent, as well as making available for interview or testimony any present owner, officer, director, employee, agent, consultants of the Respondent, or any other person within its authority or control, to the extent permitted by applicable U.S. law. This obligation includes, but is not limited to, sworn testimony pursuant to an administrative subpoena or a written request for information issued by OFAC. Respondent further agrees that it shall timely and truthfully disclose all relevant or responsive evidence and factual information related to any conduct or activities of Respondent, and those of its present and former owners, directors, officers, employees, agents, consultants, and any other person within its authority or control, that may constitute a violation of U.S. sanctions administered by OFAC, provided such evidence or information is within Respondent's possession or control.
- (7) **Annual Certification:** On an annual basis, for a period of five (5) years beginning one hundred and eighty (180) days after the date this Agreement is executed, a senior-level executive of Respondent will submit to OFAC a written explanation that provides substantive details regarding how Respondent is meeting all the Compliance Commitments detailed in Subparagraph 2.E of this Agreement.
- F. Should OFAC have reason to believe that a breach of, or misrepresentation in or pursuant to, this Agreement has occurred, including due to a failure to specifically perform or fulfill completely each of Respondent's Compliance Commitments, OFAC will provide written notice to Respondent of the breach or misrepresentations and provide Respondent with thirty (30) days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to provide a response demonstrating that no breach or misrepresentation has occurred, or that any breach or misrepresentation has been cured. Respondent will make available to OFAC any underlying evidence relevant to any such potential breach or misrepresentation, as appropriate, to the extent that such evidence is within Respondent's possession or control.

- G. If, after receiving such response, OFAC determines, in its sole discretion, that a breach of, or misrepresentation in or pursuant to, this Agreement has occurred, including due to a failure to specifically perform or fulfill completely each of the Respondent's Compliance Commitments, OFAC will provide notice to Respondent of its determination. In such event, OFAC may re-open its investigation with respect to the Apparent Violations. Any such investigation may be premised on information provided by Respondent or its present or former owners, directors, officers, employees, agents, consultants, or any other person. Respondent agrees that the statute of limitations applying to the Apparent Violations shall be deemed tolled until a date three hundred and sixty-five (365) days following Respondent's receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Agreement has occurred.
- H. Should the Respondent engage in any violations of the sanctions laws and regulations administered by OFAC—including those that are apparent—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 Enforcement Guidelines.
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. OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public notice describing the conduct underlying this Agreement, including the identity of any entities involved, the settlement amount, and a description of the Apparent Violations, as well as OFAC's application of the Enforcement Guidelines.
5. The certifications to OFAC required under this Agreement shall be submitted to OFAC by email at OFAC_Compliance_Certification@treasury.gov, addressed to Assistant Director, Enforcement Division, Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.
6. Respondent agrees that if a court of competent jurisdiction considers any of the provisions of this Agreement unenforceable, such unenforceability does not render the entire Agreement unenforceable. Rather, the entire Agreement will be construed as if not containing the particular unenforceable provision(s), and the rights and obligations of OFAC and Respondent shall be construed and enforced accordingly.
7. This Agreement 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.

8. Respondent agrees that the provisions of this Agreement are binding on its owners, directors, officers, and as applicable to its employees, agents, consultants, and any other person within its authority or control. If Respondent: (i) sells any of its operating divisions, subsidiaries, affiliates, business units, operations, or assets, or any portion thereof, that were involved in the activities that are the subject of this Agreement, (ii) is a party to a corporate merger or restructuring, or (iii) is acquired by another party (collectively, (i)-(iii) being "purchased or merged entities"), then such purchased or merged entities shall be bound by and fully responsible for all terms and conditions of this Agreement to the same extent as Respondent. Respondent further agrees to notify OFAC sixty (60) days prior to such event. Respondent further agrees to notify the purchaser or other responsible party in writing and to require the purchaser or other responsible party to acknowledge in writing, prior to the sale, merger, restructuring, or acquisition event that the purchased or merged entities shall be bound by the terms and conditions of this Agreement to the same extent as Respondent.
9. Respondent affirms that it agrees to and approves this Agreement and all terms herein freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by OFAC or any employee, agent, or representative of OFAC to induce Respondent to agree to or approve this Agreement, except as specified in this Agreement.
10. Respondent's Duly Authorized Representative, by signing this Agreement, hereby represents and warrants that the Duly Authorized Representative has full power and authority to execute and agree to this Agreement for and on behalf of Respondent, and further represents and warrants that Respondent agrees to be bound by the terms and conditions of this Agreement.

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Respondent accepts the terms of this Agreement on this 23rd day of June, 2025.

Signed by
Tamika A. Frimpong
3E8FC4FA4A704E7
Signature

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

Chief Legal and Compliance Officer
& Corporate Secretary
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 and the
EFT Instructions enclosed with this Agreement).

Date: _____

Lisa M. Palluconi Digitally signed by Lisa M. Palluconi
Date: 2025.06.25 09:18:11 -04'00'

Lisa M. Palluconi
Acting Director
Office of Foreign Assets Control