

COMPLIANCE QUARTERLY



I. NEED TO KNOW

- Important Reminders
- Time-Sensitive Matters
- Toray Flow-Downs

Mandatory OFAC Screening

As a part of Zoltek's Sanctions Compliance Program established with OFAC, [linked here](#), Zoltek is required to perform denied party screening on all business partners prior to engagement. There are no exceptions to this requirement. Business partners includes customers, suppliers, distributors and other 3rd parties / agents, new hires, and site visitors. Any red flags encountered during screening must be cleared before proceeding. In addition, partners in high risk countries, such as China and Russia, are automatically subject to enhanced screening including beneficial ownership review per OFAC's 50% Rule. Policy changes are underway to extend Letter of Assurance (LOA) requirements to all new customers to confirm allowable end use(s) and user(s) of Zoltek's products.

Reporting Misconduct: If You See Something, Say Something

Export controls and sanctions laws impose an affirmative obligation on Zoltek employees to identify and prevent violations of the law.

Should a non-compliance occur, including apparent acts of fraud or incidents of misconduct in violation of our Code of Conduct principles, the employee discovering the issue should **immediately report the incident to HR or a member of Global Compliance. Employees may also utilize Zoltek's anonymous Whistleblower Reporting System:**

compliance.support@zoltek.com
cumplimento.legal@zoltek.com
visszaeles.bejelentes@zoltek.hu

Mission B.E.A.R. activities

The focus topic for the May issue of B.E.A.R Magazine is "How to create a company free of misconduct". In connection with this topic, Toray has issued a new *Corporate Misconduct Casebook* as an education and training tool. Managers are encouraged to review the cases in the *Casebook* with their employees in the context of their workplace and discuss how incidents of misconduct may occur and how they can be prevented. The latest issue of B.E.A.R Magazine as well as the *Casebook* are posted to our intranet, links below:

[B.E.A.R Magazine](#)
[Corporate Misconduct Casebook](#)

Mission B.E.A.R.

*"Have the integrity,
to do the right thing
in the right way."*

II. RECENT ACTIVITIES & ACCOMPLISHMENTS

Compliance Incentives: New measure added to annual rating process

You may have noticed a new addition to the rating scale during your recent performance review. To emphasize the importance we place on compliance and on observing our Corporate Guiding Principles of fairness and integrity, we have worked with HR to add a new compliance behavior measure to the rating process this year. Implementing methods to incentivize compliance is not only an industry best practice, it is also considered by OFAC, the DoJ and other regulators to be an essential component of an effective corporate compliance program.

Anti-Bribery Policy release

Effective April 1st, Zoltek’s new Anti-Bribery procedure, SOP-038, [linked here](#), went into effect. The SOP establishes Zoltek procedures to comply with the Toray Group Anti-bribery Regulations. The purpose of the Toray Regulations and the SOP is to establish a framework and procedures for preventing and responding to incidents of bribery within the Toray Group. The procedure implements new pre-approval requirements for providing or receiving gifts or other benefits (primarily meals and entertainment) to or from business partners that exceed specified dollar thresholds. Pre-approval is accomplished via an online Anti-Bribery application form located on our intranet, [linked here](#). Specific training on the new procedure will be conducted in the coming weeks.

Preparations underway to meet provisions of new law in Mexico addressing workplace matters

NOM-035 (Norma Oficial Mexicana) is a new law in Mexico that seeks to prevent job-related psychosocial risks that may harm employees’ physical, social, and mental health. The four main elements in the Mexican workplace that impact employee’s wellbeing are a job’s organization, content, and conditions, as well as interpersonal relationships at work. HR is in the process of establishing plans to update and expand existing wellness programs to address the new

requirements and will be releasing additional news and information on this topic soon.

BIS Voluntary Self-Disclosure

At the end of April 2020, Zoltek filed its final voluntary self-disclosure to the Bureau of Industry and Security (BIS) related to a potential unlicensed technology export by ETC. The final submittal reflected the results of our internal investigation which determined that, even though ETC lacked adequate technology controls, no violation occurred.

Upon review of Zoltek’s final submittal, BIS closed the case without further action or penalty. BIS also highlighted that submitting the voluntary self-disclosure is an important indicator of Zoltek’s efforts to operate in full compliance with export regulations.

III. LOOK-AHEAD – next 3 months

What	When
Provide Training on new Anti-Bribery procedure	June via GO1
Launch NEW Compliance Training Program	June – July
Major Toray update to Ethics & Compliance Code of Conduct	July – August
Annual Certification to OFAC (year 2 of 5)	by June 30 th
2020 Employee Survey – Planning w/Gartner underway	Aug – Sept launch

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