

# Export Control Services

## U.S. Export Control Solutions for the Aerospace & Defense Industry

### Export compliance: why now?

In light of today's heightened national security and corporate governance concerns and in an environment of intensely heightened enforcement activity, compliance with U.S. export controls is more critical than ever. U.S. exporters are expected to fully understand their obligations under the export control regulations and implement relevant and effective compliance processes—a daunting burden for any company doing business in today's global environment. Failure to comply with export control requirements can result in severe civil and criminal penalties, the imposition of remedial solutions and direct oversight by government regulators and denial of export privileges. Exporters also risk bad publicity and potential negative repercussions under new provisions of the Defense Federal Acquisition Regulations and the Sarbanes-Oxley Act for export violations.

### Export compliance as an Aerospace & Defense (A&D) competitive advantage

At the same time, a viable, solid export control and compliance program, can provide certain competitive advantages to companies like yours. Major A&D prime contractors are taking measures to ensure their suppliers maintain effective compliance programs. In this sense, companies that are smarter, leaner, and faster at mastering the art of US export control compliance may have a competitive advantage over companies that do not.

Export control programs become business enablers when compliance requirements are integrated into the daily work stream of business units. When personnel across a company understand how compliance requirements intersect with daily activities the risk of a compliance escape is reduced. Equally important, from a work flow perspective, export issues—which can span all phases of business from product conceptualization and development to sales and production—are more easily anticipated and effectively handled.

### Today's A&D compliance environment

- Global partnerships and global approaches to research, development, and production pose ever-growing export compliance risks. Special care must be given to the compliance capabilities and track records of joint venture partners. Regulators may hold US business partners in these relationships accountable for compliance weaknesses.
- When developing commercial products that incorporate state-of-the-art technologies, extra safeguards must be embedded into daily practices to avoid the risk that military technology may inadvertently seep into new commercial products, creating compliance liabilities. Modern supply chain practices pose special risks in this regard.
- Export compliance requirements have recently been added to government contracting regulations under the Defense Federal Acquisition Regulations (DFAR) creating an even more compelling reason for A&D companies to ensure their business practices, from opportunity identification through contract close-out, are handled in full compliance with these increasingly detailed and nuanced controls.
- Newly invigorated control regimes in Canada, the United Kingdom, Australia, Israel and the European Union have also created new challenges for A&D compliance organizations. Companies must simultaneously comply with foreign and domestic control regimes.

## A&D risk

- Companies often face a reality gap between written policies and procedures and the effective and consistent execution of compliance programs at all levels of the enterprise. Failure to follow process is by far the most common cause of compliance violations. Even in the largest A&D companies with the most robust and mature compliance programs, the further down into the enterprise one looks, the likelihood increases that compliance has not been fully integrated into the business process.
- Mergers & acquisitions pose another set of risks regarding effectiveness of compliance programs across the enterprise.

## Export Control Services (ECS)

PricewaterhouseCoopers' (PwC) ECS practice provides its clients with the expertise of former government regulators and industry leaders with extensive experience in effectively addressing a variety of export compliance needs. Our experienced professionals can assist A&D companies in all aspects of international trade compliance—from assessing and managing compliance risk, to compliance support, providing training programs, understanding the impact of foreign country control regimes, and integrating compliance into daily work and value streams. Our services include:

- Domestic and global export compliance assessments & reviews
- Consent agreement implementation support
- Export compliance program development & assessment
  - Policies
  - Procedures
  - Organization development
- Customized training programs
- Merger/acquisition/divestiture due diligence, analysis and support
- Supply chain and supplier risk assessments

- Compliance support
  - Jurisdiction and classification analysis
  - Transaction analysis
  - Strategic export authorization planning
  - Technology transfer assistance
  - Encryption classification
  - Deemed export issue analysis
  - Contract analysis and development support
- Investigations and disclosure support
  - Compliance escape root cause analysis
  - Investigations (under direction of counsel)
  - Disclosure preparation
  - Corrective action plan development and support
- IT infrastructure/physical access controls analysis, review and improvement (e.g. “technology control plan” recommendations and preparation)
- Process and procedure development, improvement and simplification
- Shipping documentation, record keeping, and Automated Exports System (AES) consulting

### For additional information, please contact:

**Glenn Brady**  
314.206.8118  
St. Louis, MO  
glenn.brady@us.pwc.com

**Joseph Santosuosso**  
408.817.3873  
San Jose, CA  
joseph.a.santosuosso@us.pwc.com

**Frank Bray**  
703.918.6159  
McLean, VA  
frank.t.bray@us.pwc.com

**Stephanie Reuer**  
703.918.1574  
Washington, DC  
stephanie.a.reuer@us.pwc.com