



No. of work order:	Work Order: Anticorruption compliance program	
Page 1 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

## **Anticorruption compliance program**

### **1. General Background**

Following the entrance of Israel to the work group of combating against bribery, on December 2008, and to the corruption prevention treaty on March 2009, the General Director of the Defense Ministry set guidelines for the adoption and implementation of compliance program aimed at preventing bribery and corruption, and that will form a condition for receiving marketing and export licenses from the Defense Export Control Agency (DECA) as of the year 2011 .

The standards of the OECD require doing business ethically and morally all over the world and at all levels .

The company management considers the issue of compliance of the utmost importance, all employees in Israel and abroad are committed to the program and procedures on the subject .

The program operates at three levels: prevention, control and punishment .

### **2. Purpose**

Defining Compliance Policy, setting the relevant officials responsible for the different stages and its implementation in the Company.

### **3. Definitions**

#### **Bribing a foreign public servant offense**

Offering, promising or giving deliberately by any person any financial or other advantage unlawfully, directly or through intermediaries to a foreign public employee for that employee or for a third party, in return for the employee to act or refrain from acting in relation to his official duties, in order to achieve or maintain improper business advantage or other in the international business management .

He who offers bribe, even if rejected – shall be considered as provider of a bribe. Unbiased beneficiary can be a third person .

**He who offers bribe to foreign public employee shall be considered as provider of bribe under section 291 of the Penal Code, for which the maximum penalty that is prescribed by law is :**

- seven years in prison
- a fine of up ₪1,100,000 against individual or 2,200,000 against a corporation .
- or up to four times the value of the benefit obtained or that was intended to be obtained by the offense .

#### **Benefit**

Service, benefit, sexual bribery, speeding, failure, discrimination, donations, party, gifts, entertainment, donations .



No. of work order:	Work Order: Anticorruption compliance program	
Page 2 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

### **Business courtesy**

Gift, grant, favor, benefit, loan, commission, discount, forbearance, or other tangible or intangible thing, with significant monetary value, for which the recipient does not pay fair market value .

Such gestures include, without limitation: Cash, fees, entertainment and recreation services, travel, discounts, hotels, etc .

### **Foreign public employee**

An officer of a foreign government / foreign public organization or employee of a foreign government-owned company .

### **Business Partner**

Service providers in business activities for the company (agent / consultant / contractor / partner / lobbyist / lawyer / accountant)

### **Red Flags**

Before contracting with any entity and/or during the contract, it is necessary to note the appearance or existence of signs ("red flags") indicating the improper behavior (as described below).

## **4. Prevention – Guidance and training by the Compliance officer**

In order to prevent corruption and bribery the following steps will be taken:

- A. Raising company employees' awareness to the prevention of bribery of foreign public officials offence by publishing the Company policy (the company's Convention for Prevention of Bribery).
- B. Conducting periodic training for relevant employees and third parties by the Company's Compliance Officer . (Approval of training is attached as Appendix "A").

## **5. Due Diligence (DD) – By Compliance Officer**

It is the Compliance officer responsibility to perform due diligence for all business partners in the individual-level or company-level that has a high chance to be in contact with foreign public officers and employees.

In due diligence procedure it is mandatory to check:

- A. Ownership and control of the Company and other companies
- B. Data collection from visible sources
- C. Recommendations of companies to which similar service is provided
- D. Other companies that receive service from the same party
- E. API permits for Israeli citizens
- F. Legal opinion if necessary



No. of work order:	Work Order: Anticorruption compliance program	
Page 3 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

### Red flags

- Business activity by representatives who will be found to have a negative record
- Existence of partners or chain intermediaries without reasonable need
- Strong government demand for third party integration
- Request for invoices or erroneous documents
- Request to raise the price of a transaction without a reasonable reason
- Unwarranted payments to third parties
- Payment in a third country
- Unacceptable commission or other payments
- Rumors about unethical activity

DD Execution Frequency: Before signing a contract.

### mode of operation:

1. Sending a DD questionnaire to the candidate. Receive a full questionnaire back + resume, certificate of incorporation, letter of support from the bank and recommend (as required in the questionnaire).
2. Conducting a telephone interview with recommenders
3. Summary of the process of compliance with the candidate
4. Obtaining management approval for employment.
5. Signing a contract

**Gifts / Gifts** - An approval process must be carried out according to the following table, and a registration must be made in the Company's financial system.

#### 4.4. Business courtesies:

Business courtesy given to foreign government officials has to be reasonable and acceptable. Business courtesy is not prohibited under Israeli law provided that it doesn't affect inappropriately. The gesture must be pre-approved as required by the procedure and according to the following chart, to be documented and reported fully, and to be given in the course of a legitimate business activity. Business courtesies include flights, transportation, accommodations, entertainment, meals abroad, etc .

The following standards must apply:

1. Gesture must be approved in advance, as required, by the compliance officer of the company. The Gesture must be recorded in the company's bookkeeping and a suitable form has to be filled. (Attached as Appendices C1-C5).
2. The logo of the company has to be on the gesture
3. the value of the gestures must be defined and the prohibition of cash payment.
4. Corporate gesture must be given openly .
5. Corporate gesture must be made without mutual commitment .
6. Business gesture must be legally allowed in the country in which the gesture is made .



No. of work order:	Work Order: Anticorruption compliance program	
Page 4 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**The concentration of necessary permits before giving business courtesies**

<b>Amount</b>	<b>Approving Authority</b>	<b>Compliance Officer Opinion</b>	<b>Local Law Review by Law Department</b>
<i>Gifts</i>			
Up to 150 NIS (up to 40 USD), branded	VP Marketing / VP Business development		Yes
Above 150 NIS (up to 40 USD)	VP Finance + Senior VP	Yes	Yes
<i>Air Travel</i>			
All	VP Marketing / VP Business development + Senior VP + Company's management	Yes	Yes
<i>Land Travel</i>			
Up to 1500 NIS (400 USD) per delegation per day	VP Finance	Yes	
Above 1500 NIS (400 USD) per delegation per day	VP Marketing / VP Business development + Senior VP / VP Finance	Yes	Yes
<i>Meals in Israel</i>			
Up to 250 NIS (65 USD)	Head of Department	Yes	
Above 250 NIS	VP Marketing / VP Business development + Senior VP / VP Finance	Yes	Yes
<i>Meals outside of Israel</i>			
Up to 120 USD	VP Marketing / Business development	Yes	
Above 120 USD	VP Marketing / VP Business development + Senior VP / VP Finance	Yes	Yes



No. of work order:	Work Order: Anticorruption compliance program	
Page 5 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

<i>Lodging</i>			
Up to 200 USD per person per night	Senior VP	Yes	Yes
In excess of 200 USD per night	Senior VP + VP Finance	Yes	Yes
<i>Entertainment</i>			
Up to 1000 NIS (260 USD) per day, per person	VP Marketing / VP Business development / Senior VP	Yes	Yes
Above 1000 NIS (260 USD) per day, per person	VP Marketing / VP Business development / Senior VP + VP Finance	Yes	Yes

## 6. Control

The compliance officer of the company shall keep a record of all requests for the provision of gifts and business gestures according to the chart above .

The employees who maintain contact with foreign government officials must keep a record of all relevant expenses and report them to the compliance officer in writing .

## 7. Punishment

Reprimand and punishment actions will be taken against employees who fail to meet the guidelines and procedures of the company on this matter, according to the discretion of management .

## 8. Responsibility

The responsibility for the implementation of this policy and program rests with the Compliance Officer. Responsibility for execution of the plan rests directly on each of the relevant employees who have working relations with foreign government employees.



No. of work order:	Work Order: Anticorruption compliance program	
Page 6 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF MEALS FOR OFFICIAL**

**Instructions to the Requestor:** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

<b>1. Requestor/Host:</b>	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

<b>2. General:</b>	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such as travel expenses or gifts) to the customer's officers or employees	

<b>3. List all meals, anticipated location(s), date(s), total estimated cost, and cost per person</b>	
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No. of work order:	Work Order: Anticorruption compliance program	
Page 7 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

Names and titles of all Company personnel who will be present for Business Courtesy	
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4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?	
APPROVALS	
[Name of Supervisor:]	
Title	
Signature	
General Counsel or Designee in Law Department	
Signature	
Compliance Officer	
Signature	



No. of work order:	Work Order: Anticorruption compliance program	
Page 8 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF TRAVELS FOR OFFICIAL**

**Instructions to the Requestor:** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

1. Requestor/Host:	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

• General:	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such as travel expenses or gifts) to the customer's officers or employees	

• Travel:	
Description of proposed itinerary and schedule of business activities (List the cities/countries	





No. of work order:	Work Order: Anticorruption compliance program	
Page 9 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

to be visited, dates of travel and schedule of events)	
Description of lodging to be paid by Rafael (List the hotel name or other lodging, location, type of room, total estimated cost, and cost per person)	
Description of all international and domestic transportation to be paid by Rafael (List all transportation types (e.g., air, rental car), class of travel, departure locations, and destinations, total estimated cost, and cost per person)	
Miscellaneous or additional expenses to be paid by Rafael (Specify any unusual items not elsewhere disclosed on this form, such as unscheduled or special trips made to accommodate a Official, use of corporate jet, per diems paid by government or Company, or requests for payment of expenses of Officials' spouse or other third party)	
Provide information confirming that official request to provide travel was received from Official's employer	

4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?	
APPROVALS	
Name of Supervisor	
Title	
Signature	
General Counsel or Designee in Law Department	
Signature	
Compliance Officer	
Signature	



No. of work order:	Work Order: Anticorruption compliance program	
Page 10 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF ENTERTAINMENT FOR OFFICIAL**

**Instructions to the Requestor:** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

1. Requestor/Host:	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

2. General:	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such as travel expenses or gifts) to the customer's officers or employees	

3. Entertainment	
Describe any receptions, golf outings, sporting events, or other entertainment to be provided, including the costs of meals and transportation, location, total estimated cost, and cost per person	



No. of work order:	Work Order: Anticorruption compliance program	
Page 11 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

Names and titles of all Company personnel who will be present for Business Courtesy	
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4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?	
APPROVALS	
Name of Supervisor	
Title	
Signature	
General Counsel or Designee in Law Department	
Signature	
Compliance Officer	
Signature	



No. of work order:	Work Order: Anticorruption compliance program	
Page 12 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF GIFTS FOR OFFICIAL**

***Instructions to the Requestor:*** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

<b>1. Requestor/Host:</b>	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

<b>2. General:</b>	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization: Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization:	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such	



No. of work order:	Work Order: Anticorruption compliance program	
Page 13 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

as travel expenses or gifts) to the customer's officers or employees	
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3. Gifts	
Describe all gifts, indicate whether embossed with Company logo, and list total estimated cost and cost per person	
Reason for providing gift and why gift is customary and proper	

4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?	
APPROVALS	
Name of Supervisor	
Title	
Signature	
General Counsel or Designee in Law Department	
Signature	
Compliance Officer	
Signature	



No. of work order:	Work Order: Anticorruption compliance program	
Page 14 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF OTHERS BUSINESS COURTESY FOR OFFICIAL**

**Instructions to the Requestor:** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

1. Requestor/Host:	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

2. General	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such as travel expenses or gifts) to the customer's officers or employees	

3. Other	
Describe any other Business Courtesy not listed above	



No. of work order:	Work Order: Anticorruption compliance program	
Page 15 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

<b>4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?</b>	
APPROVALS	
Name of Supervisor	
Title	
Signature	
General Counsel or Designee in Law	
Department	
Signature	
Compliance Officer	
Signature	



No. of work order:	Work Order: Anticorruption compliance program	
Page 16 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

**REQUEST FOR APPROVAL OF GENERIC PRE-APPROVAL FOR AN OFFICE OR PROJECT**

**Instructions to the Requestor:** Please provide the most complete information possible. If certain sections of this form are not applicable to your request, so indicate on this form. **Note that no invitation related to a Business Courtesy may be made to an Official until written approval has been received. Please submit this request form at least two weeks in advance of the date when you need to make the invitation.**

1. Requestor/Host:	
Name:	
Title/Position	
Telephone No.	
Signature	
Date of Request	

2. General	
Total cost <b>and</b> cost per person of all Business Courtesies to be provided (specify currency)	
Names of all recipient Officials, titles, agencies/organizations, and nationalities	
Business relationship w/Company (e.g., potential or current customer)	
Business purpose/justification for the Business Courtesy (including date, location and duration of business discussion, if applicable)	
Dates/descriptions of prior Business Courtesies provided to same Official(s), if any	
Description of any pending issue or business proposal related to the Company awaiting decision from recipient Officials and/or their agency or organization	
Relevant customer contract, if any, that references giving of Business Courtesies (such as travel expenses or gifts) to the customer's officers or employees	

3. Categories of Generic Pre-Approval for an Office or Project	
Description of meals and/or gifts (include proposed recipients and purpose)	
Number of meals or gifts	





No. of work order:	Work Order: Anticorruption compliance program	
Page 17 of 17	Edition 2/5/2018	Apply to: All Armaz Group Companies

Maximum value of meals or gifts per person	
Requested Duration of the Approval (not to exceed one year from date approval)	
Country or Countries in which Generic Pre-Approval applies	
Exclusions or Other Restrictions	

4. Do applicable laws or regulations address or prohibit giving of Business Courtesies to recipients? If so, are the proposed Business Courtesies permissible under applicable laws?	
APPROVALS	
Name of Supervisor	
Title	
Signature	
General Counsel or Designee in Law	
Department	
Signature	
Compliance Officer	
Signature	