

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

ELBIT SYSTEMS LTD

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	8/8
2. Internal Controls	6	6/12
3. Support to Employees	7	6/14
4. Conflict of Interest	4	2/8
5. Customer Engagement	7	3/14
6. Supply Chain Management	5	4/10
7. Agents, Intermediaries and Joint Ventures	10	8/20
8. Offsets	4	0/8
9. High Risk Markets	4	4/8
10. State-Owned Enterprises	0	N/A
TOTAL		41/102
BAND		D

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
There is evidence that the company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. It is clear that this commitment is authorised and endorsed by the company's President and Chief Executive Officer.
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.1] To Our Company-Wide Workforce:</p> <p>Elbit Systems and our subsidiaries (the "Company") strive to maintain our global reputation for conducting business with integrity, high ethical principles and compliance with the laws and regulations governing our activities. As demonstrated by the Company's Code of Business Conduct and Ethics (the "Ethics Code"), all employees, officers and directors must abide by these principles. Compliance with anti-bribery and corruption standards is an integral part of our business practices, and we have zero tolerance for bribery and corruption. Accordingly, the Company will not participate in corrupt practices and will take steps to prevent our business partners from taking part in such practices.</p> <p>To help us achieve the above, we have adopted this Anti-Bribery and Corruption Compliance Policy (the "Policy"). This Policy outlines the principles, policies, actions, tasks and responsibilities of the Company to achieve full compliance with applicable anti-bribery and anticorruption requirements, including those set forth in the Ethics Code and all applicable laws and regulations of every jurisdiction in which we do business.</p> <p>The principles of this Policy apply throughout the Company's organization worldwide. Our employees, officers and directors, wherever their location, must abide by them.</p> <p>This Policy is made available to our employees, including temporary and contract employees, officers and directors. In addition, this Policy is published on the Company's website: www.elbitsystems.com. Should any employee have questions about the content of this Policy, or what course of conduct should be taken in any given situation, he or she should always seek guidance from the applicable local or corporate level, legal and compliance departments, including the Corporate Chief Compliance Officer.</p> <p>Sincerely,</p> <p>Bezhalel (Butzi) Machlis President and Chief Executive Officer Elbit Systems Ltd.</p>

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
2
Comments
<p>There is evidence that the company publishes an anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. There is evidence that this policy applies to all employees and board members as described in (a) and (b) in the question.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.2] 1.1 Purpose The purpose of this Policy is to assist employees, officers and directors throughout the Company, and all of our business partners, in identifying anti-bribery and corruption related issues and in understanding and complying with applicable anti-bribery and anti-corruption standards. This Policy is to be read in conjunction with the entirety of our anti-corruption compliance program policies and procedures. These policies and procedures include the Ethics Code, this Policy and the following supporting policies/procedures:</p> <ul style="list-style-type: none"> • Business Entertainment and Gifts Policy; • Procedure on Anti-Bribery and Corruption Due Diligence; • Whistleblower and Investigations Procedure; and • Supplier Code of Conduct. <p>1.2 Commitment to Best Practices We are committed to conducting our business with integrity and based upon ethical best practices and principles, including anti-bribery and anti-corruption compliance standards.</p> <p>1.3 Zero Tolerance The Company has zero tolerance for bribery and corruption. In addition to the need to follow the law, our rejection of bribery has important business benefits, including maintaining our corporate reputation and retaining the confidence of customers and third parties with whom we do business.</p> <p>1.4 Public and Private Sectors The prohibitions against bribery and corrupt conduct apply regardless of whether it takes place in the public sector or in the private sector. Bribery is illegal in both contexts. You must not engage in bribery (either giving or receiving things of value to gain an improper business advantage) in connection with any of the Company's dealings or activities involving private or public companies, organizations or individuals. Particular care should be taken in dealings or activities involving Government or Public Officials (as defined below), but it is just as important to remember that private entities and individuals may also be the subject of bribery.</p> <p>[p.4] 2.1 Company-Wide The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy). <p>2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p>

[p.6] 4.2 We Must Never:

- Make facilitation payments. Such payments are considered a form of corruption and are prohibited under the local laws of most countries and by the OECD Convention and the United Nations Convention Against Corruption. We must never offer a facilitation payment.
- Engage in corrupt activities or activities that could reasonably give the appearance of corruption. We attempt to avoid situations creating the appearance of impropriety, including with respect to business entertainment, gifts, conflicts of interest, hiring and donations.
- Engage in bribery. Company employees (including temporary and contract employees), officers and directors are prohibited from engaging, directly or indirectly, in bribery

[p.7]

- Allow third parties, including service providers, agents, consultants, brokers or distributors, to engage in bribery or corruption on our behalf.
- Do business with other parties who are engaged in bribery or corruption.
- Take retaliatory action towards employees who, in good faith, report suspected violations of the Ethics Code or this Policy. Allegations made in bad faith, however, will not be tolerated.

[11] Form 20-F 2019 Annual Report (Document)

Accessed 03/06/2020

<http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a>

[p.28] Ethics

We conduct our business activities and develop Company policies based on a firm commitment to ethical practices. In addition to our Code of Business Conduct and Ethics (Ethics Code) (see Item 16.B) and compliance with applicable laws and regulations, we have an active Company-wide ethics compliance program, incorporating a range of policies and procedures. This includes the anti-bribery/corruption area where we have a policy of zero tolerance for corruption. Our anti-bribery/corruption compliance program also includes a number of elements such as whistleblower and investigation processes, contractual requirements, due diligence, ongoing training, record keeping and enforcement. We also expect our supply chain to follow ethical practices. Our Ethics Code, Whistleblower and Investigations Procedure, Anti-Bribery and Corruption Compliance Policy, Procedure on Anti-Bribery and Corruption Due Diligence, Business Entertainment and Gifts Policy and Supplier Code of Conduct are published on our website www.elbitsystems.com. We are active in a number of international organizations relating to ethics and compliance.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
2
Comments
<p>There is evidence that the board and the Audit Committee are ultimately responsible for providing oversight of the company's anti-bribery and corruption programme. There is evidence to suggest that these bodies engage in formal oversight functions, such as reviewing reports from management, and that they have the authority to require that any necessary changes to the programme are made.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.11] 13. Periodic Policy Review The CCO (or his/her designee), with the assistance of members of the Legal and Compliance Departments, will periodically assess the effectiveness of this Policy. These findings will be reported periodically to the Audit Committee and to the Board of Directors as a whole.</p> <p>[2] Code of Business Conduct and Ethics (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf [p.11] 18. Reporting Illegal or Unethical Behavior</p> <p>[...]</p> <p>C. Reports to the Audit Committee Relating to Financial Matters or Internal Controls. The Chief Compliance Officer provides reports from time to time to the Audit Committee of our Board of Directors regarding ethics matters. If any report of wrongdoing relates to accounting or financial reporting matters, or relates to persons involved in the development or implementation of our system of internal controls, and such report is not provided directly to a member of the Audit Committee, a copy of the report will be promptly provided to the Chair of the Audit Committee, and the Audit Committee may participate in the investigation and resolution of the matter.</p> <p>[4] Company-wide whistle-blower and investigations procedure (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf [p.7] 8.3.3 Oversight Except in those cases in which the oversight of the investigation was referred to the Audit Committee or other external reviewer, the Investigation Committee, together with the CCO and the Corporate Chief Legal Officer ("CLO"), will exercise oversight over the investigation. Such oversight will include receiving periodic reports on the progress of the investigation, including any recommendations from the investigators to expand the investigation, initiate preliminary or prophylactic employment action or make voluntary disclosures to the authorities. In those cases in which the Audit Committee has assumed oversight responsibility, it will receive these reports, and it may further direct the investigators to share those reports with specific executives to take action.</p>

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
2
Comments
Based on publicly available information, there is evidence that a senior executive, the Chief Compliance Officer, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. The company indicates that this individual has a direct reporting line to the board and periodically reports findings on the effectiveness of the company's anti-bribery and corruption programme to both the board and Audit Committee.
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.7] 6.1 Obtaining Guidance You are expected to be familiar with this Policy. If you are uncertain about whether a particular activity is improper, employees are encouraged to ask questions about this Policy and other compliance related issues. You should always feel free to direct any questions to your direct manager, the legal and compliance departments or the CCO.</p> <p>[p.9] 11.3 Examples The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.11] 11.4 Reporting Red Flags It is the responsibility of the employee who observes or suspects a Red Flag to report the matter to his or her supervisor as well as the Legal Department or the CCO. Remember — if in doubt - consult.</p> <p>[...]</p> <p>13. Periodic Policy Review The CCO (or his/her designee), with the assistance of members of the Legal and Compliance Departments, will periodically assess the effectiveness of this Policy. These findings will be reported periodically to the Audit Committee and to the Board of Directors as a whole.</p> <p>[2] Code of Business Conduct and Ethics (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf</p> <p>[p.11] C. Reports to the Audit Committee Relating to Financial Matters or Internal Controls.</p> <p>The Chief Compliance Officer provides reports from time to time to the Audit Committee of our Board of Directors regarding ethics matters. If any report of wrongdoing relates to accounting or financial reporting matters, or relates to persons involved in the development or implementation of our system of internal controls, and such report is not provided directly to a member of the Audit Committee, a copy of the report will be promptly provided to the Chair of the Audit Committee, and the Audit Committee may participate in the investigation and resolution of the matter.</p> <p>[3] Management (Webpage) Accessed 06/10/2019 http://ir.elbitsystems.com/corporate-governance/management</p> <p>David Block Temin Executive Vice President, Chief Compliance Officer and Senior Counsel David Block Temin has served as Executive Vice President, Chief Compliance Officer and Senior Counsel since 2012, after serving as executive vice president, chief legal officer and chief compliance officer since 2008, as corporate vice president since 2000 and as general counsel since 1996.</p>

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2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
0
Comments
Based on publicly available information, there is no evidence that the company has a formal risk assessment procedure which is used to inform the company's anti-bribery and corruption programme. There is some indication that the company is aware of the potential bribery and corruption risks that it faces, but there is no evidence that it has an assessment process to determine these risks or to adapt and update its anti-corruption programme on this basis.
Evidence
<p>[11] Form 20-F 2019 Annual Report (Document) Accessed 03/06/2020 http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a</p> <p>[p.5] We are subject to government procurement and anti-bribery/corruption rules and regulations. We are required to comply with government contracting rules and regulations relating to, among other things, cost accounting, sales of various types of munitions, anti-bribery and procurement integrity, which increase our performance and compliance costs. See Item 4. Information on the Company – Governmental Regulation. Failure to comply with these rules and regulations, whether directly or indirectly, could result in the modification, termination or reduction of the value of our contracts, the assessment of penalties and fines against us, our suspension or debarment from government contracting or subcontracting for a period of time or criminal sanctions against us or our employees, all of which could negatively impact our results of operations and financial condition. We engage in certain markets considered to have high bribery and corruption risks. Investigations by government agencies have become more frequent in a number of countries, including Israel and the U.S.</p> <p>[p.22] Anti-Bribery/Corruption Regulations. We conduct operations in a number of markets that are considered high risk from an anti-bribery/anti-corruption compliance perspective. Laws and regulations such as the Israel Penal Code, the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and corresponding legislation in other countries, prohibit providing personal benefits or bribes to government officials in connection with the governmental procurement process. Israeli defense exporters, such as Elbit Systems, are required to maintain an anti-bribery/corruption compliance program.</p>

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company's anti-bribery and corruption programme is subject to periodic review. The company indicates that it reviewed its ethics and anti-corruption procedures in 2018 and there is evidence that its policies and procedures were updated and improved based on opportunities identified. There is also evidence that the board and Audit Committee review high-level findings.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence that it has procedures in place to conduct formal audits of its programme, with an internal or external audit taking place at least every two years.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf 13. Periodic Policy Review The CCO (or his/her designee), with the assistance of members of the Legal and Compliance Departments, will periodically assess the effectiveness of this Policy. These findings will be reported periodically to the Audit Committee and to the Board of Directors as a whole.</p> <p>[13] Elbit Systems Sustainability Report 2017-2018 Accessed 02/02/2021 https://elbitsystems.com/pdf-report/#p=4 [p.29] In 2018, our ethics and anti-bribery and corruption procedures were subject to a review, the results of which were reported to the Audit Committee of the Board of Directors. We were assisted in the review by external legal and compliance experts. No critical findings emerged, although opportunities for improvement were identified, including more specific descriptions of our investigations, due diligence and business entertainment processes and enhanced focus on identifying anti-corruption red flags."</p>

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>There is evidence that the company publicly commits to investigating incidents and there is evidence that it takes steps to ensure the independence of its investigations. It commits to reporting investigative findings to senior management and the Audit Committee, including root cause analysis and remedial or mitigation recommendations.</p> <p>There is evidence that there is a procedure in place for whistleblowing cases that stipulates documentation and actions to be taken at every step of the case, from receipt to final outcome, and the company indicates that it has a mechanism to keep whistleblowers informed of the outcome. In addition, the company indicates that the CCO and the Audit Committee receive and review summary information of all incidents and their status in the organisation upon the completion of every investigation.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.6] • We will investigate all reports of known or suspected corrupt activity perpetrated by any individual, either employed or in a business relationship with the Company.</p> <p>[p.8] 10. Reporting Suspected Violations and the company's commitment to investigate</p> <p>10.1 Reporting Illegal or Unethical Behavior The Company encourages all employees to speak up and raise concerns. Raising concerns is a critical step so that we can identify and react to misconduct and protect ourselves from negative consequences. Every employee, officer and director has a duty to report any potential violations of this Policy. While full transparent reporting enables us to conduct a more effective</p> <p>[p.9] investigation, if the employee wishes a report may be submitted anonymously. For more information on reporting suspected violations, please refer to the Whistleblower and Investigations Procedure.</p> <p>10.2 Investigations Because of the potentially severe consequences for companies and individuals who engage in bribery and corruption, the Company will investigate all credible allegations of such misconduct. We will take all concerns raised in good faith seriously, and we will investigate suspected misconduct fairly, consistently, confidentially and consistent with the Whistleblower and Investigations Procedure. All directors, officers and employees of the Company are required to cooperate in such investigations, including providing access to data and devices used in the course of the Company's business.</p> <p>10.3 Commitment to Non-Retaliation No employee who makes a good faith report concerning potential misconduct based on his or her personal knowledge or who cooperates with an internal or external investigation into such potential misconduct will suffer any adverse work-related consequences, provided that such employee has not himself or herself acted improperly.</p> <p>[2] Code of Business Conduct and Ethics (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf</p> <p>[p.11] D. Investigations. All reports of violations of this Ethics Code will be promptly investigated and, if found to be accurate, acted upon in a timely manner. Employees are expected to cooperate in internal investigations of misconduct. For further information see our Whistleblower Procedure referenced in Section 1.C above.</p>

[4] Company-wide whistle-blower and investigations procedure (Document)

Accessed 06/10/2019

<https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf>

[p.3] 3. Applicability

3.1 Company-Wide This Procedure governs the principles for whistleblowing and other forms of reporting by all Company employees, including temporary employees and independent consultants, officers and directors, and applies with respect to allegations concerning any Company entity, as well as vendors, suppliers, contractors, service providers, agents, consultants, teaming/joint venture partners or any other of the Company's business partners. Company entities outside of Israel may adapt this Procedure to reflect local requirements.

3.2 Types of Allegations This Policy will apply to all allegations of:

- bribery or corruption;

[p.4] • misconduct with any potential impact on the Company's reported financial reports (including accounting, internal control and auditing matters);

- misconduct with any other potential financial impact on the Company;
- unethical or illegal conduct;
- breach of our Ethics Code, the ABCC Policy or other compliance-related policies; and
- any allegation of fraud or embezzlement.

3.3 Investigations by Law Enforcement

This Policy will also apply to all internal investigations initiated in response to an investigation or inquiry by law enforcement authorities, subject to applicable national security requirements.

3. Whistleblower and Reporting Channels

The Company has adopted the following channels for reporting concerns of illegal or unethical conduct.

Supervisors/Managers

You may report to your direct supervisor, who will be responsible for escalating the report. If you feel your direct supervisor is implicated in the misconduct, you may report to supervisors at higher levels.

[p.6] 8. Preliminary Process of the Investigation

8.1 Allegation Reported

When the Company receives a report of potential anti-corruption misconduct or other unethical or illegal behavior, the matter will be referenced by a unique number or name. This will enable us to track the progress and resolution of the review, investigation and resolution of the allegation.

8.2 Preliminary Evaluation

Regardless of the person or department to which the report was made, all allegations will be forwarded to the CCO, making sure to safeguard any requested confidentiality of the reporter. Upon receipt of an allegation, the CCO will conduct, or cause to be conducted, a preliminary evaluation of its credibility and significance. The CCO may consult with other corporate, division or local subsidiary functions regarding the allegations.

8.3 Investigation Committee

8.3.1 Members In cases where the CCO or his/her designee finds the report to be sufficiently specific and credible to warrant an investigation, the CCO will refer it to a committee (the "Investigation Committee") consisting of:

- a representative of the legal department;
- a representative of the human resources department;
- a representative of the security department (for all matters involving security issues and otherwise as deemed necessary); and
- other management functions relevant to the particular matter. The members of the Investigation Committee may be at the corporate, divisional or subsidiary level as deemed appropriate by the CCO. However, if the allegation relates to a director or senior management official of a particular entity, the CCO may determine that the investigation needs to be conducted by persons outside the applicable entity.

8.3.2 Review of the Allegation The Investigation Committee will consider each allegation and make the following recommendations to the CCO:

- Whether the allegation touches on the responsibility and conduct of senior executives or directors, such that oversight of the investigation should be referred to the Audit Committee or applicable external reviewer.
- Whether the matter should be investigated using internal resources or whether external counsel should be engaged. This determination will be made by the CCO and will be based on the evaluation of factors that will include (i) the nature and scope of the alleged misconduct, (ii) whether it involves senior managers or

[p.7] executives and (iii) whether the allegation may result in the involvement of public enforcement authorities.

8.3.3 Oversight

Except in those cases in which the oversight of the investigation was referred to the Audit Committee or other external reviewer, the Investigation Committee, together with the CCO and the Corporate Chief Legal Officer ("CLO"), will exercise oversight over the investigation. Such oversight will include receiving periodic reports on the progress of the investigation, including any recommendations from the investigators to expand the investigation, initiate preliminary or prophylactic employment action or make voluntary disclosures to the authorities. In those cases in which the Audit Committee has assumed oversight responsibility, it will receive these reports, and it may further direct the investigators to share those reports with specific executives to take action.

8.3.4 Recusal

Should any of the functions or officers named in this Procedure encounter a conflict of interest situation relating to the alleged misconduct, he or she will so notify the CCO (or the Audit Committee Chair if applicable) and recuse his or herself from taking further action relating to the investigation.

8.4 Government Investigations

In cases where government authorities have already commenced an investigation, the CCO or the CLO will notify the Investigations Committee and engage external counsel to assist in responding to the government investigation, including, where permitted, conducting an internal investigation. External counsel should, in turn, engage any other needed external resources to ensure the protection of legal privilege and other applicable protections.

8.5 Notifications

The CCO will notify Elbit Systems CEO, the CLO, the Chief Financial Officer, other relevant corporate officers and the head of the relevant business division or subsidiary of all credible and significant allegations, except where the allegations touch on such person's own conduct or responsibility. Where the matter has been referred to the Audit Committee, the Audit Committee will determine what notifications ought to be made. The CCO will keep the executives reasonably informed as to the progress of any significant investigations, subject to the same caveats.

9. Conduct of the Investigation

9.1 The Investigation Team

The Investigation Committee, together with the CCO, will designate a team to investigate the matter, led by either an internal or external lawyer and other function as determined by the CCO in consultation with the CLO.

[p.8] Where external counsel is engaged, an internal lawyer or compliance manager will be appointed as the internal point-of contact to handle logistics and communications. Some investigations may occur far away from the Company's headquarters. In those circumstances, a local contact person may be appointed to assist the

investigators in practical matters at the premises where the investigation is conducted. The local contact persons must be independent of the persons who are subject to investigation.

9.2 Initial Assessment

Once formed, the investigation team will promptly make an initial assessment of the potential severity of the allegation, considering all factors known or suspected, including the risk inherent in the business or process, transaction volume, approval limits, existence of controls and prior experiences.

9.3 Granting Access to Internal Data

The Company will provide access to applicable financial data to the investigation team. In addition, subject to applicable privacy laws and other regulations, the investigation team will have and be provided with access to any IT resources and internal data, including email servers, laptops, company-issued smartphones (or any personal phones on which the Company has permitted Company communications to be sent and received) and other electronic data storage media that might assist in the investigation.

9.4 Interviews

Every Company employee, officer and director has an obligation to cooperate in the investigation, including agreeing to be interviewed by the investigation team. Where permitted by law, a refusal to so cooperate will be a cause for discipline. Where required by law or otherwise advisable, at the decision of the CLO or the CCO, the Company may provide counsel to employees prior to the interview. In some investigations, it may be necessary to interview third parties. In such cases, the investigation team may request the cooperation of third parties engaged to provide services to the Company or, where applicable, invoke our audit rights.

10. Closing of an Investigation

10.1 Final Report When the investigation has been completed, the investigation team will produce a final investigation report addressed to the Investigation Committee and the CCO, or the Audit Committee where the Audit Committee has oversight of the investigation, as the case may be. The final report will cover the following issues related to the investigation:

- scope;
- factual findings;
- conclusions;
- root cause analysis; and
- remedial or mitigation recommendations.

[p.9] 10.2 Evaluation and Remediation

The Investigation Committee and the CCO or, as the case may be the Audit Committee, will consider the report and, in their respective discretion, notify other executives of the conclusion and findings while taking care to preserve confidentiality and any applicable privileges.

The Investigation Committee, subject to the concurrence of the CCO and the CLO and in coordination with the applicable business unit management, will direct to the appropriate Company departments any remediation actions that should be taken to address any corrupt, unethical or illegal conduct or controls failures identified by the investigation. These may include substantive changes to the Company's compliance program and internal controls, as well as any disciplinary actions taken towards the offenders. In appropriate cases, and as coordinated with the CCO and CLO, the Company may report the incident(s) to the appropriate law enforcement authorities. The investigation may be closed once the final report has been issued, and after management input was obtained from all the key stakeholders.

10.3 Report to the Whistleblower

For investigations initiated due to a report by a whistleblower, the CCO will determine to what extent the whistleblower is updated regarding the investigation and/or its results.

11.Retention of Documents

All records of all allegations received on potential misconduct and disciplinary or remediation decisions taken will be maintained by the applicable subsidiary's or entity's legal department or compliance officer and by the CCO. These records will at all times be open for inspection by Elbit Systems' Audit Committee. The records shall be kept for a minimum of five (5) years after the close of each matter.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
<p>Based on publicly available information, there is no clear evidence that the company assures itself of the quality of its internal investigations. The company provides some evidence to indicate senior functions are involved in investigations and that the ethics procedures as a whole are reviewed periodically, but it is not clear from publicly available evidence that the company has specific measures in place to ensure the quality of its investigative procedure specifically, for example by indicating that staff conducting investigations are properly trained, by implementing a policy to handle complaints about the process or by reviewing the investigation process every three years.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.9] 10.2 Investigations Because of the potentially severe consequences for companies and individuals who engage in bribery and corruption, the Company will investigate all credible allegations of such misconduct. We will take all concerns raised in good faith seriously, and we will investigate suspected misconduct fairly, consistently, confidentially and consistent with the Whistleblower and Investigations Procedure. All directors, officers and employees of the Company are required to cooperate in such investigations, including providing access to data and devices used in the course of the Company's business.</p> <p>[p.11] 13. Periodic Policy Review The CCO (or his/her designee), with the assistance of members of the Legal and Compliance Departments, will periodically assess the effectiveness of this Policy. These findings will be reported periodically to the Audit Committee and to the Board of Directors as a whole.</p> <p>[4] Company-wide whistle-blower and investigations procedure (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf [p.6] 8.3 Investigation Committee 8.3.1 Members In cases where the CCO or his/her designee finds the report to be sufficiently specific and credible to warrant an investigation, the CCO will refer it to a committee (the "Investigation Committee") consisting of:</p> <ul style="list-style-type: none"> • a representative of the legal department; • a representative of the human resources department; • a representative of the security department (for all matters involving security issues and otherwise as deemed necessary); and • other management functions relevant to the particular matter. <p>[p.7] 9. Conduct of the Investigation</p> <p>9.1 The Investigation Team The Investigation Committee, together with the CCO, will designate a team to investigate the matter, led by either an internal or external lawyer and other function as determined by the CCO in consultation with the CLO.</p> <p>[p.8] Where external counsel is engaged, an internal lawyer or compliance manager will be appointed as the internal point-of contact to handle logistics and communications. Some investigations may occur far away from the Company's headquarters. In those circumstances, a local contact person may be appointed to assist the investigators in practical matters at the premises where the investigation is conducted. The local contact persons must be independent of the persons who are subject to investigation.</p>

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
2
Comments
<p>There is evidence that the company makes a public commitment to report material findings of bribery and corruption from investigations to the board and to the relevant authorities. The company indicates that its Chief Compliance Officer, along with the Chief Legal Officer, is ultimately responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.</p>
Evidence
<p>[4] Company-wide whistle-blower and investigations procedure (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf</p> <p>[p. 7] 8.3.3 Oversight Except in those cases in which the oversight of the investigation was referred to the Audit Committee or other external reviewer, the Investigation Committee, together with the CCO and the Corporate Chief Legal Officer ("CLO"), will exercise oversight over the investigation. Such oversight will include receiving periodic reports on the progress of the investigation, including any recommendations from the investigators to expand the investigation, initiate preliminary or prophylactic employment action or make voluntary disclosures to the authorities. In those cases in which the Audit Committee has assumed oversight responsibility, it will receive these reports, and it may further direct the investigators to share those reports with specific executives to take action.</p> <p>8.4 Government Investigations In cases where government authorities have already commenced an investigation, the CCO or the CLO will notify the Investigations Committee and engage external counsel to assist in responding to the government investigation, including, where permitted, conducting an internal investigation. External counsel should, in turn, engage any other needed external resources to ensure the protection of legal privilege and other applicable protections.</p> <p>8.5 Notifications The CCO will notify Elbit Systems CEO, the CLO, the Chief Financial Officer, other relevant corporate officers and the head of the relevant business division or subsidiary of all credible and significant allegations, except where the allegations touch on such person's own conduct or responsibility. Where the matter has been referred to the Audit Committee, the Audit Committee will determine what notifications ought to be made. The CCO will keep the executives reasonably informed as to the progress of any significant investigations, subject to the same caveats.</p> <p>[p.9] 10.2 Evaluation and Remediation The Investigation Committee and the CCO or, as the case may be the Audit Committee, will consider the report and, in their respective discretion, notify other executives of the conclusion and findings while taking care to preserve confidentiality and any applicable privileges.</p> <p>The Investigation Committee, subject to the concurrence of the CCO and the CLO and in coordination with the applicable business unit management, will direct to the appropriate Company departments any remediation actions that should be taken to address any corrupt, unethical or illegal conduct or controls failures identified by the investigation. These may include substantive changes to the Company's compliance program and internal controls, as well as any disciplinary actions taken towards the offenders. In appropriate cases, and as coordinated with the CCO and CLO, the Company may report the incident(s) to the appropriate law enforcement authorities. The investigation may be closed once the final report has been issued, and after management input was obtained from all the key stakeholders.</p>

Question																						
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?																						
Score																						
1																						
Comments																						
<p>There is evidence that the company publishes some information on its corruption-related incidents and investigations involving company employees. The company provides information to indicate that it did not have any confirmed incidents of corruption in the most recently reported financial year.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that it publishes further data on its incidents and investigations, such as the number of reports received, including the number received through whistleblowing channels, and the number of investigations launched to determine whether an incident had occurred.</p>																						
Evidence																						
<p>[13] Elbit Systems Sustainability Report 2017-2018 Accessed 02/02/2021 https://elbitsystems.com/pdf-report/#p=4 [p.46] Global Reporting Initiative – Content Index – Material Disclosures</p> <table> <tr> <th>Material priority</th><th>GRI Standard</th><th>Mgmt. approach -page</th><th>Specific GRI Disclosures</th><th>Page</th><th>Omissions</th></tr> <tr> <td rowspan="2">Ethical conduct</td><td>GRI 205: Anti-corruption 2016</td><td>101-1-3: 29</td><td>205-3 Confirmed incidents of corruption</td><td>None.</td><td></td></tr> <tr> <td>GRI 415: Public Policy 2016</td><td>101-1-3: 46</td><td>415-1 Political contributions</td><td>None.*</td><td></td></tr> </table>						Material priority	GRI Standard	Mgmt. approach -page	Specific GRI Disclosures	Page	Omissions	Ethical conduct	GRI 205: Anti-corruption 2016	101-1-3: 29	205-3 Confirmed incidents of corruption	None.		GRI 415: Public Policy 2016	101-1-3: 46	415-1 Political contributions	None.*	
Material priority	GRI Standard	Mgmt. approach -page	Specific GRI Disclosures	Page	Omissions																	
Ethical conduct	GRI 205: Anti-corruption 2016	101-1-3: 29	205-3 Confirmed incidents of corruption	None.																		
	GRI 415: Public Policy 2016	101-1-3: 46	415-1 Political contributions	None.*																		

3. Support to Employees

Question										
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?										
Score										
2										
Comments										
<p>There is evidence that the company provides training on a periodic basis that outlines the principles of its anti-bribery and corruption policy, including the whistleblowing options available to employees. The company indicates that it provides this training to all employees, across all divisions and countries of operation. In addition, there is evidence that the company provided training on anti-corruption and ethics in the most recently reported financial year and that it aims to provide training all employees every two years.</p>										
Evidence										
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.4] 2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.7] 6. Awareness and Training</p> <p>[...]</p> <p>6.2 Training The Company engages in various means of communication and training to make employees, officers and directors aware of this Policy. As part of our overall ethics training, all Company employees, officers and directors will be provided training regarding anti-bribery and corruption upon their joining the Company. In addition, focused ethics and anti-bribery and corruption training will be provided periodically to applicable professional functions. Also, the Company will make third parties with whom it conducts business aware of this Policy and, where appropriate, will provide in-person training.</p> <p>[13] Elbit Systems Sustainability Report 2017-2018 Accessed 02/02/2021 https://elbitsystems.com/pdf-report/#p=4 [p.14]</p>										
<p>Impacts Throughout Our Operations</p> <table><tr><th>Topic</th><th>Goal</th><th>Target</th><th>Progress in 2017/2018</th></tr><tr><td rowspan="2">Ethical conduct</td><td rowspan="2">Reduce risk of unethical behavior.</td><td>100% employees trained in anti-corruption and ethics every 2 years</td><td>95% of employees trained in 2017-2018.</td></tr><tr><td>Perform annual ethical risk assessments at all operational sites.</td><td>Annual risk reviews for all sites performed in 2017-2018.</td></tr></table> <p>[...]</p>	Topic	Goal	Target	Progress in 2017/2018	Ethical conduct	Reduce risk of unethical behavior.	100% employees trained in anti-corruption and ethics every 2 years	95% of employees trained in 2017-2018.	Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2017-2018.
Topic	Goal	Target	Progress in 2017/2018							
Ethical conduct	Reduce risk of unethical behavior.	100% employees trained in anti-corruption and ethics every 2 years	95% of employees trained in 2017-2018.							
		Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2017-2018.							

Question

3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:

- a) Employees in high risk positions,
- b) Middle management,
- c) Board members.

Score

1

Comments

Based on publicly available information, there is some evidence that the company provides different or tailored anti-bribery and corruption training to employees based on their roles. The company indicates that employees in certain professional functions receive dedicated anti-bribery and corruption training on a periodic basis.

However, it is not clear from publicly available information that the company provides tailored anti-bribery and corruption training to middle management and board members, to account for the specific risks that they might face. It is also not clear from publicly available information whether employees in professional functions include all employees in high risk positions nor is it clear that such individuals must refresh their specific training on at least an annual basis.

Evidence

[1] Anti-Bribery and Corruption Compliance Policy (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf

[p.7] 6. Awareness and Training

[...]

6.2 Training

The Company engages in various means of communication and training to make employees, officers and directors aware of this Policy. As part of our overall ethics training, all Company employees, officers and directors will be provided training regarding anti-bribery and corruption upon their joining the Company. In addition, focused ethics and anti-bribery and corruption training will be provided periodically to applicable professional functions. Also, the Company will make third parties with whom it conducts business aware of this Policy and, where appropriate, will provide in-person training.

Question													
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?													
Score													
1													
Comments													
<p>There is some evidence that the company measures the effectiveness of its anti-bribery training and communications programme. The company provides data on the percentage of employees trained on anti-corruption in the most recently reported financial year, and there is also some evidence that the company may hold in-person sessions to reinforce understanding of its policies.</p> <p>However, there is no publicly available evidence that the company has further procedures in place to measure and review the effectiveness of its anti-corruption training and communications programme specifically, for example by conducting staff surveys or targeted audits of these aspects of its programme at least every three years.</p>													
Evidence													
<p>[13] Elbit Systems Sustainability Report 2017-2018 Accessed 02/02/2021 https://elbitsystems.com/pdf-report/#p=4 [p.14]</p> <p>Impacts Throughout Our Operations</p> <table> <tr> <th>Topic</th><th>Goal</th><th>Target</th><th>Progress in 2017/2018</th></tr> <tr> <td rowspan="2">Ethical conduct</td><td rowspan="2">Reduce risk of unethical behavior.</td><td>100% employees trained in anti-corruption and ethics every 2 years</td><td>95% of employees trained in 2017-2018.</td></tr> <tr> <td>Perform annual ethical risk assessments at all operational sites.</td><td>Annual risk reviews for all sites performed in 2017-2018.</td></tr> </table> <p>[...]</p> <p>[p.29]</p> <p>Throughout the company, in addition to formal communications and training, we hold focused events to embed compliance as a way of doing business. For example, in our Brazilian and UK subsidiaries, we hold annual 'Compliance Days' involving management training by internal and external experts.</p>				Topic	Goal	Target	Progress in 2017/2018	Ethical conduct	Reduce risk of unethical behavior.	100% employees trained in anti-corruption and ethics every 2 years	95% of employees trained in 2017-2018.	Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2017-2018.
Topic	Goal	Target	Progress in 2017/2018										
Ethical conduct	Reduce risk of unethical behavior.	100% employees trained in anti-corruption and ethics every 2 years	95% of employees trained in 2017-2018.										
		Perform annual ethical risk assessments at all operational sites.	Annual risk reviews for all sites performed in 2017-2018.										

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
Based on publicly available information, there is no evidence that the company's incentive schemes for employees incorporate ethical or anti-bribery and corruption principles.
Evidence
No evidence found.

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
<p>There is no publicly available evidence that the company commits to support or protect employees who refuse to act unethically. The company indicates that employees who report incidents are protected and that it will not proceed with a third party transaction where concerns are identified, however it is not clear from publicly available information that the company commits to support employees to make ethical decisions in their responsibilities, even when this might result in a loss of business.</p>
Evidence
<p>[4] Company-wide whistle-blower and investigations procedure (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf [p.3] 2. Purpose The purpose of this Procedure is to encourage employees to report, without the fear of consequences or retaliation, any actual or suspected violations of law, the Ethics Code or other Company policies and to define a procedure by which we will conduct thorough and credible investigations into allegations of corrupt, unethical, improper or illegal practices, however they may come to the Company's attention.</p> <p>[p.5] 7. Non-Retaliation We protect anyone who, in good faith:</p> <ul style="list-style-type: none"> • reports a possible violation of law or regulations, the Ethics Code, the ABCC policy or any other Company policy or procedure; • reports any other concerns regarding questionable practices; or • assists in the investigation of a reported violation. This is the case whether or not it turns out that the report was made under a genuine mistaken belief. <p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.6] • We will conduct reasonable anti-corruption due diligence in connection with acquisitions, the formation of joint ventures and the engagement of third parties. We will not proceed with any transaction or engagement until any concerns or issues relating to corruption have been fully and satisfactorily addressed.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>There is publicly available evidence that the company promotes a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents, which clearly applies to all employees across the organisation. There is evidence that the company makes this commitment in its Anti-Bribery and Corruption Compliance Policy, which also applies to third parties acting on the company's behalf.</p> <p>However, the company receives a score of '1' because there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means. Although there is evidence that the company conducts employee engagement surveys, it is not clear from publicly available information that this survey addresses employees' understanding and belief in the company's non-retaliation policy.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.4] 2.1 Company-Wide</p> <p>The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy). <p>2.2 Third Parties</p> <p>In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.6] 4.1 We Commit to the Following:</p> <p>[...]</p> <ul style="list-style-type: none"> • We will strongly encourage reporting, without fear of retaliation, of any known or suspected bribery or corrupt conduct. <p>[...]</p> <p>4.2 We Must Never:</p> <p>[...]</p> <ul style="list-style-type: none"> • Take retaliatory action towards employees who, in good faith, report suspected violations of the Ethics Code or this Policy. Allegations made in bad faith, however, will not be tolerated. <p>[p.9] 10.3 Commitment to Non-Retaliation</p> <p>No employee who makes a good faith report concerning potential misconduct based on his or her personal knowledge or who cooperates with an internal or external investigation into such potential misconduct will suffer any adverse work-related consequences, provided that such employee has not himself or herself acted improperly.</p>

[2] Code of Business Conduct and Ethics (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf

[p.5] (5) Any retaliation or threat of retaliation against any director, officer or employee of the Company for refusing to violate this Ethics Code, or for reporting in good faith the violation or suspected violation of this Ethics Code, is itself a violation of this Ethics Code and our related policies and may be a violation of law.

[p.11] B. Non-Retaliation Policy.

It is our policy not to allow actual or threatened retaliation, harassment or discrimination due to reports of misconduct by others made in good faith by employees.

[4] Company-wide whistle-blower and investigations procedure (Document)

Accessed 06/10/2019

<https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf>

[p.3] 2. Purpose

The purpose of this Procedure is to encourage employees to report, without the fear of consequences or retaliation, any actual or suspected violations of law, the Ethics Code or other Company policies and to define a procedure by which we will conduct thorough and credible investigations into allegations of corrupt, unethical, improper or illegal practices, however they may come to the Company's attention.

[p.5] 7. Non-Retaliation

We protect anyone who, in good faith:

- reports a possible violation of law or regulations, the Ethics Code, the ABCC policy or any other Company policy or procedure;
- reports any other concerns regarding questionable practices; or
- assists in the investigation of a reported violation. This is the case whether or not it turns out that the report was made under a genuine mistaken belief. Retaliation in any form against someone who takes such actions in good faith will not be tolerated. Any act of retaliation should be reported immediately and will be investigated.

[13] Elbit Systems Sustainability Report 2017-2018

Accessed 02/02/2021

<https://elbitsystems.com/pdf-report/#p=4>

[p.34]

Employee engagement survey

At Elbit Systems, we conduct a global employee engagement survey every two years, in order to hear the frank views of our employees about matters that are important to them. Our most recent survey was conducted in Israel in 2017, with improvements across most parameters versus the prior survey – especially in areas of key strengths such as sense of purpose, teamwork and freedom to take initiative. Some key results included:

[p.34]

85% of employees are proud to work at Elbit Systems

85% of employees are confident in Elbit Systems' future growth and success

90% of employees enjoy working with their teammates

88% of employees agree that their team has a culture of collaboration and knowledge sharing

95% agree or strongly agree that their work is challenging and interesting

97% agree or strongly agree that their role is meaningful and creates value

In addition to these encouraging results, the survey exposed several areas for improvement. For example, employees expressed a desire to be more involved in innovation processes. As a result, we incorporated new initiatives in our innovation strategy, including a new program for Ideation - a forum of 80 engineers from different divisions to assist in creating and seeding new ideas. Additionally, employees requested new opportunities for development and professional learning, and in 2018, we implemented new leadership programs.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
1
Comments
<p>Based on publicly available information, there is evidence the company provides multiple channels for employees to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. There is evidence that these channels are sufficiently varied to allow the employee to raise concerns across the management chain. The company indicates that these channels allow for confidential and, wherever possible, anonymous reporting. In addition, there is evidence that whistleblowing channels are available and accessible to all employees, in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners.</p> <p>However, the company receives a score of '1' because it is not clear from publicly available information that it offers an external reporting channel for employees to report incidents outside the management chain, for example through a channel operated by an independent third party.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.4] 2.1 Company-Wide The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy). <p>2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[4] Company-wide whistle-blower and investigations procedure (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf [p.4] 3. Whistleblower and Reporting Channels The Company has adopted the following channels for reporting concerns of illegal or unethical conduct.</p> <p>Supervisors/Managers You may report to your direct supervisor, who will be responsible for escalating the report. If you feel your direct supervisor is implicated in the misconduct, you may report to supervisors at higher levels.</p> <p>Corporate Chief Compliance Officer ("CCO") You are requested to notify, by telephone or in writing, Elbit Systems' Chief Compliance Officer with any information, complaint or concern regarding suspected legal or ethical violations by: Telephone: +972 (077) 2946626 Email: compliance@elbitsystems.com Mail: Advanced Technology Center, POB 539, Haifa 3100401 Israel.</p> <p>Chair of Audit Committee of the Board of Directors</p>

You may also notify the Chair of the Audit Committee of Elbit Systems' Board of Directors. The Audit Committee Chair can be notified by either mail or e-mail at the following mailing addresses: Advanced Technology Center, POB 539, Attn: Chair of the Audit Committee, Board of Directors at Elbit Systems Ltd.

[p.5] Haifa, 3100401 Israel. Email: auditcommittee@elbitsystems.com

Supply Chain-Related Matters

For reports relating to the Company's supply chain or our Supplier Code of Conduct you may also report to the following e-mail address: supplychaincompliance@elbitsystems.com.

[...]

5. Anonymity

There are three options to report your concerns of violations of law or the Ethics Code, the ABCC Policy or other compliance-related policies: Identity revealed - To be better able to respond efficiently to any whistleblower reporting, we would prefer that you disclose your identity and give us your telephone number or other contact information when you make your report. Partially anonymous – You can choose to reveal your identity only to certain persons who may be involved in investigating the matter you are reporting and choose that your identity not be divulged to others. This option protects your anonymity while giving us an opportunity to contact you in the event where clarity, an interview or further information is helpful to investigating or confirming the report. Anonymous - If you feel more comfortable remaining anonymous, we will accept anonymous reports.

6. Confidentiality

All notices, reports and information received under this process will be treated in a confidential manner. Every reasonable effort will be made to handle the matter with discretion and to protect the identity of those who make reports, as well as those who are being investigated. However, if necessary to conduct a proper review or to comply with legal requirements, our Audit Committee, independent accountants, outside legal counsel, governmental regulators or others may become involved in the review process.

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company addresses conflicts of interest as a corruption risk, and has a policy that defines conflicts of interest, including actual, potential and perceived conflicts. There is evidence that the company's policy addresses possible conflicts arising from employee relationships, financial interests and outside employment. In addition, the company's policy makes reference to the possible conflict of interest risks arising from relationships with government officials.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.6] 4.2 We Must Never: [...]</p> <ul style="list-style-type: none"> Engage in corrupt activities or activities that could reasonably give the appearance of corruption. We attempt to avoid situations creating the appearance of impropriety, including with respect to business entertainment, gifts, conflicts of interest, hiring and donations. <p>[p.9] 11. Red Flags</p> <p>11.1 What is a Red Flag? "Red Flags" are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A Red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated.</p> <p>11.2 Identifying and Following-Up Red Flags In all dealings with potential or current consultants or representatives, our customers or other third parties, Company directors, officers and employees must be conscious of any Red Flags that may be present or arise that suggest possible violations of anti-bribery and corruption standards. When a Red Flag is identified you must be sensitive to the risk of corruption it presents. It must be followed up and appropriate steps be taken to prevent the Company being implicated in bribery or corruption, including possible termination of the third party relationship or walking away from an acquisition, joint venture or business opportunity. In the context of acquisitions, teaming/joint ventures and third party service providers, the Company has adopted specific due diligence processes specifically designed to detect and address Red Flags. See the Procedure on Anti-Bribery and Corruption Due Diligence.</p> <p>11.3 Examples The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.10] a. Gifts and Business Entertainment: <ul style="list-style-type: none"> extravagant business entertainment, especially involving a Government or Public Official; [...]</p>

b. Potential Conflicts of Interest:

- having a direct or indirect commercial relationship with the Company;
- using Company assets to advance private interests;
- making employment decisions based on a personal, rather than a business basis;
- holding an office or directorship in a company that is in competition with the Company, in which the Company has a commercial interest or which receives donations or sponsorships from the Company; or
- soliciting employment for a family member or close friend.

c. Third Party Due Diligence Findings:

- indications of a close personal relationship between the third party and a Government or Public Official or customer that could improperly influence a decision;
- recommendation of a third party by a Government or Public Official;
- recommendation of a third party who has a personal, family or business relationship with a Government Official;

[11] Form 20-F 2019 Annual Report (Document)

Accessed 03/06/2020

<http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a>

[p.21] Governmental Regulation

[p.22] Procurement Regulations.

Solicitations for procurements by governmental purchasing agencies in Israel, the United States and other countries are governed by laws, regulations and procedures such as those relating to procurement integrity, including avoiding conflicts of interest and corruption, and meeting information assurance and cyber-security requirements. Such regulations also include provisions relating to the avoidance of human trafficking and counterfeit parts in the supply chain.

[2] Code of Business Conduct and Ethics (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf

[p.7] 12. Conflicts of Interest

You should handle ethically any actual or apparent conflict of interest between your personal and business relationships. Conflicts of interest are prohibited as a matter of policy. A "conflict of interest" exists when a person's private interest interferes, or might reasonably be considered to interfere, in any way with the interests of the Company. A conflict situation arises if you take actions or have interests that interfere with your ability to perform your work for the Company objectively and effectively. Conflicts of interest also may arise if you, or a member of your family or other person affiliated with you as defined in Section 12.F "Indirect Violations" below, receives an improper personal benefit as a result of your position with the Company.

If you become aware of any transaction or relationship that reasonably could be expected to give rise to a conflict of interest, you should report it promptly to a member of the Legal Department, our Chief Compliance Officer, or as otherwise provided in the Whistleblower Procedure referenced in Section 1.3 above. Some potential conflicts of interest may, after review by the Legal Department, be found to be permissible. Among other factors to be considered is whether the situation could result in an undesired appearance of impropriety.

The following are examples of standards applying to certain common situations where potential conflicts of interest may arise. These examples should also be read in light of indirect violations as described below.

A. Gifts, Entertainment and Other Personal Benefits.

Personal gifts, entertainment or other benefits may only be offered or accepted by persons doing business with or on behalf of the Company if done in a reasonable way in the ordinary course of the business relationship. In addition, the frequency and cost of any such gifts, entertainment or personal benefits should be in nominal amounts/value only, so as not to affect, or appear to affect, the ability to exercise independent business judgment. See also our Business Entertainment Policy referenced in Section 1.C above.

B. Financial Interests in Other Organizations.

The determination whether any outside investment, financial arrangement or other interest in another organization is improper depends on the facts and circumstances of each case. Your ownership of an interest in another organization may be inappropriate if

[p.8] the other organization has a significant business relationship with, or is a direct competitor of, the Company. In such case your financial interest would likely be inappropriate if it is of such a size that your ability to exercise independent judgment on behalf of the Company is or may appear to be compromised. As a general rule, a passive investment would not likely be considered improper if it:

- (1) is in publicly traded shares;
- (2) represents less than 1% of the outstanding equity of the organization in question; and
- (3) represents less than 5% of your net worth. Other interests also may not be improper, depending on the circumstances.

C. Outside Business Activities.

The determination of whether any outside position an employee may hold is improper will depend on the facts and circumstances of each case. Your involvement in trade associations, professional societies and charitable and similar organizations normally does not create a conflict of interest. However, to avoid a potential conflict of interest, if you are to assume a formal position (such as a director) or receive compensation in connection with these activities, you must receive prior approval from the Human Resources and Legal Departments. For a director, employment or affiliation with an organization with which the Company does business or competes must be fully disclosed to our Board of Directors and Chief Compliance Officer and must satisfy any other standards established by applicable law, rules (including rules of any applicable stock exchange) or regulation and any other corporate governance guidelines that the Company may establish.

D. Corporate Opportunities.

You are prohibited from exploiting for your personal advantage, opportunities that are discovered through the use of the Company resources, information or position, unless all required approvals are obtained. Similarly, you may not compete with the Company. You owe a duty to advance the Company's legitimate interests whenever the opportunity to do so arises.

E. Hiring Process.

Hiring decisions should be made solely on business rather than personal considerations. In addition, situations that could be viewed as nepotism, such as the hiring of close family members of directors, officers or employees in particular situations, should be avoided. Hiring persons previously employed by, or who are close relatives of persons employed by, organizations that have a business affiliation with the Company should be reviewed in advance with the Human Resources and Legal Departments in order to avoid inappropriate or improper situations. Such organizations include independent auditors, other service providers, subcontractors, customers, end users, regulators and competitors.

F. Indirect Violations.

You should not indirectly (such as through a spouse, family member, affiliate, friend, partner, associate or an entity with which you have an active or significant business or financial relationship) have any interest or engage in any activity that would violate this Ethics Code if you directly had the interest or engaged in the activity. Any such relationship should be fully disclosed to a member of the Legal Department or our Chief Compliance Officer (and in the case of a director to the Board of Directors), in order to determine whether the relationship is inappropriate based upon the standards of this Ethics Code.

[6] Company-wide procedure on anti-bribery and corruption due diligence (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf

[p.3] Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

[...]

- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.

[...]

- The third party was referred to the Company by a customer or a government or public official.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has procedures in place to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. The company indicates that its Compliance and Legal Departments are responsible for managing conflict of interest cases.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that all employee and board member declarations are held in a dedicated central register that is accessible to those responsible for oversight of the process. There is also no evidence that the policy provides examples of possible criteria for recusals, nor does it indicate that disciplinary measures will apply if the policy is breached.</p>
Evidence
<p>[2] Code of Business Conduct and Ethics (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf</p> <p>[p.7] 12. Conflicts of Interest You should handle ethically any actual or apparent conflict of interest between your personal and business relationships. Conflicts of interest are prohibited as a matter of policy. A "conflict of interest" exists when a person's private interest interferes, or might reasonably be considered to interfere, in any way with the interests of the Company. A conflict situation arises if you take actions or have interests that interfere with your ability to perform your work for the Company objectively and effectively. Conflicts of interest also may arise if you, or a member of your family or other person affiliated with you as defined in Section 12.F "Indirect Violations" below, receives an improper personal benefit as a result of your position with the Company.</p> <p>If you become aware of any transaction or relationship that reasonably could be expected to give rise to a conflict of interest, you should report it promptly to a member of the Legal Department, our Chief Compliance Officer, or as otherwise provided in the Whistleblower Procedure referenced in Section 1.3 above. Some potential conflicts of interest may, after review by the Legal Department, be found to be permissible. Among other factors to be considered is whether the situation could result in an undesired appearance of impropriety.</p> <p>The following are examples of standards applying to certain common situations where potential conflicts of interest may arise. These examples should also be read in light of indirect violations as described below.</p> <p>A. Gifts, Entertainment and Other Personal Benefits. Personal gifts, entertainment or other benefits may only be offered or accepted by persons doing business with or on behalf of the Company if done in a reasonable way in the ordinary course of the business relationship. In addition, the frequency and cost of any such gifts, entertainment or personal benefits should be in nominal amounts/value only, so as not to affect, or appear to affect, the ability to exercise independent business judgment. See also our Business Entertainment Policy referenced in Section 1.C above.</p> <p>B. Financial Interests in Other Organizations. The determination whether any outside investment, financial arrangement or other interest in another organization is improper depends on the facts and circumstances of each case. Your ownership of an interest in another organization may be inappropriate if</p> <p>[p.8] the other organization has a significant business relationship with, or is a direct competitor of, the Company. In such case your financial interest would likely be inappropriate if it is of such a size that your ability to exercise independent judgment on behalf of the Company is or may appear to be compromised. As a general rule, a passive investment would not likely be considered improper if it:</p> <ul style="list-style-type: none"> (1) is in publicly traded shares; (2) represents less than 1% of the outstanding equity of the organization in question; and (3) represents less than 5% of your net worth. Other interests also may not be improper, depending on the circumstances.

C. Outside Business Activities.

The determination of whether any outside position an employee may hold is improper will depend on the facts and circumstances of each case. Your involvement in trade associations, professional societies and charitable and similar organizations normally does not create a conflict of interest. However, to avoid a potential conflict of interest, if you are to assume a formal position (such as a director) or receive compensation in connection with these activities, you must receive prior approval from the Human Resources and Legal Departments. For a director, employment or affiliation with an organization with which the Company does business or competes must be fully disclosed to our Board of Directors and Chief Compliance Officer and must satisfy any other standards established by applicable law, rules (including rules of any applicable stock exchange) or regulation and any other corporate governance guidelines that the Company may establish.

D. Corporate Opportunities.

You are prohibited from exploiting for your personal advantage, opportunities that are discovered through the use of the Company resources, information or position, unless all required approvals are obtained. Similarly, you may not compete with the Company. You owe a duty to advance the Company's legitimate interests whenever the opportunity to do so arises.

E. Hiring Process.

Hiring decisions should be made solely on business rather than personal considerations. In addition, situations that could be viewed as nepotism, such as the hiring of close family members of directors, officers or employees in particular situations, should be avoided. Hiring persons previously employed by, or who are close relatives of persons employed by, organizations that have a business affiliation with the Company should be reviewed in advance with the Human Resources and Legal Departments in order to avoid inappropriate or improper situations. Such organizations include independent auditors, other service providers, subcontractors, customers, end users, regulators and competitors.

F. Indirect Violations.

You should not indirectly (such as through a spouse, family member, affiliate, friend, partner, associate or an entity with which you have an active or significant business or financial relationship) have any interest or engage in any activity that would violate this Ethics Code if you directly had the interest or engaged in the activity. Any such relationship should be fully disclosed to a member of the Legal Department or our Chief Compliance Officer (and in the case of a director to the Board of Directors), in order to determine whether the relationship is inappropriate based upon the standards of this Ethics Code.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
Based on publicly available information, there is no evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.


Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company publicly reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
<p>Based on publicly available information, there is evidence that the company has a policy which prohibits corporate political contributions, whether by the company itself or by any other entity or individual acting on its behalf. However, there is evidence that the company has a Political Action Committee (PAC) in the United States, so the company therefore receives a score of '0' as per the scoring criteria.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.8] 8. Donations 8.1 Political Donations The Company's policy is not to make political donations on its behalf. Directors, officers and employees may choose to make political donations from their own resources, but not with a view to influence a third party for the benefit of the Company or in any way that might give the impression that such influence was intended.</p> <p>[12] OpenSecrets Elbit PAC Summary (Webpage) Accessed 21/10/2020 https://www.opensecrets.org/pacs/lookup2.php?strID=C00437566</p> <div style="border: 1px solid #ccc; padding: 10px; margin: 10px 0;"> <p>2020 PAC Contribution Data</p> <p><i>Contributions from this PAC to federal candidates (list recipients)</i> \$51,450 (18% to Democrats, 82% to Republicans)</p> <p><i>Contributions to this PAC from individual donors of \$200 or more (list donors)</i> \$61,629</p> </div> <p>FOREIGN PARENT COMPANY: Elbit Systems Ltd COUNTRY OF ORIGIN: Israel Official PAC Name: ELBIT SYSTEMS OF AMERICA LLC POLITICAL ACTION COMMITTEE Location: FORT WORTH, TX 76179 Industry: Defense Aerospace; Defense aerospace contractors Treasurer: HUNT, LAURA FEC Committee ID: C00437566 (Look up actual documents filed at the FEC)</p>

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
<p>The company publishes a statement that it does not make corporate political contributions.</p> <p>However, the company receives a score of '0' because there is evidence that it has a Political Action Committee (PAC) in the United States and there is no evidence that it publishes any information in relation to the PAC's disbursements on its website or that it provides a direct link to its official disclosures.</p>
Evidence
No evidence found.

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
1
Comments
<p>Based on publicly available evidence, there is some evidence that the company has a policy on charitable donations. The company indicates that this policy includes conducting due diligence to ensure that recipients are legitimate and to avoid any risk of a donation being used to exert undue influence. In addition, there is some evidence that the company publishes high-level details of its total charitable contributions made and initiatives supported in the most recently reported financial year.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that it publishes further details of its charitable donations, such as details of the recipient, amount, country of recipient and which corporate entity made the payment.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.8] 8.2 Charitable Donations The Company may make reasonable donations to charities from Company funds, subject to receipt of approvals specified in internal policies. The Company must be certain that such charitable donations cannot be viewed as an attempt to buy influence for its benefit or in any other way as being improper and that such donations are not disguised unlawful payments to private individuals or Government or Public Officials in violation of anti-corruption laws. Accordingly, prior to making any charitable contribution, we must take care, including doing due diligence, to verify that the recipient charity is legitimate and that there is no apparent risk that any donation will be diverted to other beneficiaries.</p> <p>[13] Elbit Systems Sustainability Report 2017-2018 Accessed 02/02/2021 https://elbitsystems.com/pdf-report/#p=4</p> <p>[p.15]</p>  <p>[p.42] Supporting Communities and Advancing Technology Education</p>

We aim to support the communities in which we live and work around the world. Many of our local operations maintain programs for the benefit of our local communities and encourage our employees to volunteer to assist nonprofits in advancing social sustainability causes. Specially, our global focus is developing and securing technology skills that can prepare young people for a productive and rewarding career in our industry. With leading technology experts in our business around the world, and the passion to support the development of young people, we take an active part in helping create a cadre of future leaders for our industry.

In 2018, our global community investment, with a focus on technological education, amounted to \$1.88 million, including charitable donations, in-kind donations of equipment and services, and the value of employee volunteering time. More than 4,300 employees engaged in volunteering activities around the world, contributing 19,300 hours in communities in 2018. These activities included 1,600 employees who volunteered to support "Good Deeds Day" in Israel in more than 50 community activities in 2018, and a range of other

activities including distribution of food packages to the needy. In the U.S., hundreds of employees participated in Good Deeds Day at nine locations, donating food and pet supplies and volunteering at food pantries, homeless shelters and animal rights organizations across the U.S.

Encouraging technology education

We maintain several programs designed to encourage STEM education for young people to help prepare them for technology careers. Hundreds of our employees volunteer in a range of programs to enhance technological education in underserved communities, benefiting thousands of students each year.

CADET PROGRAM FOR YOUTH IN THE PERIPHERY:

In 2018, in Israel, we lent our support to a six-month pre-army program with a technology focus for underserved youth living in peripheral areas. The program aims to expose students to the many possibilities in technology and prepare them both for military service and for academic studies and future careers. In the 2018-2019 academic year, we donated funds as well as mentoring.

ADVANCING YOUTH TECHNOLOGY PROJECTS:

Elbit Systems in Israel continued its support for Taasyeda, a non-profit organization that engages youth in technology, innovation and entrepreneurship. Our employees volunteer in a range of projects and initiatives in different cities and schools in Israel, giving lectures to students, mentoring students in technology projects and hosting students in our facilities to learn about the industry.

ENCOURAGING WOMEN IN TECHNOLOGY:

We support several programs that are designed to encourage girls to become interested in technological subjects, in the hope that they pursue careers in technology and science. One such collaboration is with the Israeli nonprofits "Breaking the Glass Ceiling", and "Leading to the Technion", both promoting science studies among girls and young women. Women engineers from Elbit Systems participate in these programs, which include tours of our laboratories and factories and other field trips. Our engineers give lectures on different areas of engineering, industry and management, and share their own career experiences. Also, in 2018, we designed a new program called Babushka - a tri-generational mentoring

[p.43]

program spanning a full academic year. In this program, a girl studying in a tech-engineering program in high school is paired with a female student from a tech-engineering college or university-level academic program. In turn, this student is paired with a mentor from Elbit Systems, a female engineer that supports the student through academic challenges and through her first steps in the tech industry.

STEM IN THE U.S.: In the U.S., Elbit Systems of America (ESA) once again engaged as a Gold Sponsor of the Aerospace Industries Association's Team America Rocketry Challenge which advances STEM education among school students. Teams supported by our employees at ESA went on to qualify for the final rocket fly-off of the competition in Washington D.C.

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no publicly available evidence that the company has a policy on lobbying.
Evidence
No evidence found.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
There is no publicly available evidence that the company publishes any information on its lobbying aims, topics or activities.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company publishes any details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a policy and procedure on the giving and receipt of gifts and hospitality with procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. This policy indicates that the company has established financial limits, along with an approval procedure, for the different types of promotional expense that employees may encounter. There is also evidence that the company's policy clearly addresses the risks associated with gifts and hospitality given to from public officials. The company's policy includes a clear statement that all gifts and hospitality are recorded.</p> <p>In addition, there is evidence that further detail relating to the company's approval procedures and financial thresholds is available in an Approval Annex; however, this does not appear to be publicly accessible.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.6] 4.2 We Must Never:</p> <ul style="list-style-type: none"> • Engage in corrupt activities or activities that could reasonably give the appearance of corruption. We attempt to avoid situations creating the appearance of impropriety, including with respect to business entertainment, gifts, conflicts of interest, hiring and donations. <p>[p.7] 7. Gifts, Business Hospitality and Entertainment</p> <p>7.1 Policy Offering gifts, business and other hospitality is an ordinary part of doing business, but it is also an area with significant potential for corrupt conduct. It is the policy of the Company never to offer gifts, business entertainment, hospitality or other personal benefits for improper purposes or as a means to induce someone to act for the benefit of the Company. Moreover, particular care must be exercised with respect to Government or Public Officials. Very often, legal and legitimate hospitality can be interpreted as a bribe, and the difference is hard to define in the abstract. The Company has therefore adopted a Business Entertainment and Gifts Policy that</p> <p>[p.8] provides specific guidance on gifts and business entertainment offered in the public and private sector, monetary thresholds, documentation and approval processes.</p> <p>7.2 Local Regulations</p> <p>You must be aware that any general monetary threshold established by the Company may exceed what is legal in a particular jurisdiction. Therefore, you must always consult the local laws and regulations of the jurisdiction in which you are doing business.</p> <p>[p.9] 11.3 Examples</p> <p>The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.10] a. Gifts and Business Entertainment:</p> <ul style="list-style-type: none"> • extravagant business entertainment, especially involving a Government or Public Official; • cash and cash equivalents, which include vouchers, and gift cards; • gifts and entertainment during contract negotiations or government tender processes; • excessive or lavish entertainment; • gifts and entertainment to family members and friends; • entertainment or hospitality where the host is not present; or

- giving and accepting of gifts and entertainment on a frequent basis with the same third party.

[5] Company-wide business entertainment and gifts policy (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_Business_Entertainment_and_Gifts_Policy_7-Mar-2019.pdf

[p.2] 1.Introduction

Conducting our business ethically and with integrity is a core value of Elbit Systems Ltd. and our subsidiaries. As a global company whose shares are publicly traded, our policy is to follow best practice compliance standards and laws applicable to the broad range of our global activities. Offering or providing business entertainment, hospitality, courtesies and gifts (collectively "Entertainment") is often an appropriate way to build business relationships as a gesture of appreciation, courtesy, goodwill and respect. However, under certain circumstances, offering or providing Entertainment may be perceived as bribery, corruption, a conflict of interest or an attempt to otherwise obtain an improper business advantage or improper influence, any of which may seriously damage our reputation and potentially result in criminal or civil liability for our companies or our employees. This Business Entertainment and Gifts Policy (the "Policy") is intended to facilitate that any Entertainment we provide, whether to public officials or to private parties, meets appropriate standards and that receipt of Entertainment by our employees, directors and representatives is subject to corresponding standards.

2.Application

This Policy governs the giving or accepting of Entertainment to or from third parties by the employees, directors and representatives of our companies worldwide (collectively the "Company"). Entities outside Israel may adapt this Policy to reflect local requirements.

The Policy applies to:

- Elbit Systems Ltd. and our major business divisions in Israel;
- Our wholly-owned or controlled subsidiaries wherever located; and
- Joint ventures in which we hold a controlling interest. (Companies and partnerships in which we own a non-controlling interest will be required to adopt a business entertainment and gifts policy consistent with this Policy.)

3.Purposes

The purposes of this Policy are:

- To promote transparency and an ethical business environment; and
- To provide for accountability, honesty and integrity on the part of employees, directors and representatives in providing or receiving Entertainment during the performance of their duties.

4.General Principles and Definitions

4.1 Framework for Acceptable Entertainment

This Policy acknowledges the role of Entertainment in creating a framework and a climate of trust during business relationships. Common tokens of appreciation and reasonable and appropriate hosting activities consistent with the "4R Rules" set forth below, whether given or received, are generally allowed in the business world. Entertainment should be

[p.3] interpreted broadly and take into account applicable cultural norms of, as well as regulations that may apply to, both the host and the guest.

Such Entertainment must:

- be lawful and infrequent with respect to the applicable recipient;
- advance a legitimate business purpose;
- be made in a transparent way; - not have the objective of giving or obtaining a favor or any undue advantage; and
- not create a conflict of interest.

4.2 Definition of Entertainment

Entertainment, if compliant with applicable laws, can take the form of:

- modest gifts;
- meals and/or refreshments;
- ground transportation;
- travel costs, including air travel, lodging and per diem;
- guided tours in the host's vicinity;
- invitations to or sponsorship of business events, conferences or exhibitions; or
- invitations to entertainment such as a cultural event, musical or theatrical performance, sporting event or other such activity.

4.3 Prohibited Forms of Entertainment

The following types of entertainment are prohibited:

- offering anything of value for the purpose of obtaining or retaining business to secure an improper advantage;
- requesting, accepting or agreeing to receive bribes, kickbacks or other improper payments;
- cash payments;
- Entertainment of a sexual nature or that could otherwise create an embarrassment to the Company; or
- Entertainment that could be viewed as excessive or lavish. In general, providing Entertainment to non-business contacts (such as family members of business contacts) is not permitted, and any exceptions require specific approvals.

5. The 4R Rule (Comply with Regulations, Be Reasonable, Be Responsible, Keep Records)

5.1 Comply with Regulations

If you offer or receive Entertainment you are expected to do so in a manner that is compliant with applicable law, regulations and the internal policy of the receiving organization (e.g., company or governmental agency). In each country laws and rules specific to central or local governmental bodies can provide additional details (including monetary limits) as to what is acceptable.

[p.4] 5.2 Be Reasonable

5.2.1 General Rule: Entertainment offered or received by you should be limited and reasonable. Entertainment that may be viewed as extravagant or call its appropriateness into question should be avoided.

5.2.2 Modest Value Gifts: For both individuals and organizations, a “give away” may be provided if it is a marketing item of modest value with the logo of the offering company or organization. The offer of other business courtesies or gifts of a value exceeding a modest value (typically exceeding US\$50) may only be offered in special circumstances, subject to receipt of applicable approvals as described in the Entertainment Approval Annex attached hereto (“Approval Annex”).

5.2.3 Reasonableness Factors: Generally speaking, in order to assess whether Entertainment is reasonable or not the following factors should be taken into account:

o Levels and frequency: The Company should be sensitive to

- (i) the unit value of the Entertainment,
- (ii) the frequency of such items or invitations by the business unit and the individual offering the Entertainment and
- (iii) the cumulative value per year for each applicable recipient.

o Context for offering: Special attention should be given to Entertainment offered during negotiation processes, when pursuing a tender or when a business or operational decision is being taken with the intended recipient of the Entertainment, assuming it is not prohibited by the recipient’s rules and regulations. Such Entertainment must be provided in a manner that promotes transparency and accountability.

o Status of the recipient:

- Government officials: Although this Policy applies to both government officials and commercial industry personnel, generally offering Entertainment to government officials requires more rigorous scrutiny.
- Not all countries distinguish between governmental and commercial bribery, but many do and have more stringent requirements regarding Entertainment of government officials. This includes, but is not limited to, U.S. government regulations regarding Entertainment provided to U.S. government employees and officials.
- Recipient’s functions: The reasonableness of the business courtesy or hospitality must be reviewed in light of the recipient’s status and function within the applicable organization. Employees in functions related to acquisitions, purchasing, commercial relations, supplier management, etc. may be subject to a higher degree of attention due to their ability to influence the allocation of business or present the

[p.5] appearance of a conflict of interest, and accordingly tighter scrutiny of Entertainment is warranted.

- Family members of business contacts: Entertainment provided to the immediate family members of representatives of business contacts of the Company must also be reviewed for compliance with this Policy.
- Family members of employees: Family members and relatives of Company employees, directors and representatives may also be subject to a higher degree of risk when they are a recipient of Entertainment.

5.2.4 Transparency: To create transparency and avoid any appearance of undue influence through the offer or receipt of Entertainment to business contacts, you must complete all necessary documentation (see Section 5.4 below and the Approval Annex) of the specific Entertainment that will be provided (such as meals, accommodation and travel, if applicable). Where feasible, the recipient will be advised of the intended Entertainment in advance to

permit review of offers of Entertainment with reference to the recipient organization's standards and help achieve mutual understanding for appropriate compliant conduct.

5.2.5 Nature of the offer or invitation: Regardless of the type of Entertainment, the offer or invitation must advance a legitimate business purpose, i.e., be appropriate to the context of the professional activity and acceptable under the policies of the recipient's organization. You are expected to carefully supervise and track the conditions under which the Entertainment is offered. Within this framework, the following are examples of generally acceptable Entertainment, if applicable legal requirements permit:

- Reasonably-priced business meals;
- Entrance fees for attendance at business events (e.g., a trade show or industry conference);
- Attendance at non-lavish sports and cultural events when the offeror's representatives are also present;
- Reasonable travel and accommodation costs for product demonstrations, program reviews and the like, in limited circumstances and for business purposes; and
- Entertainment specified to be provided under contractual obligations.

You are also expected to make reasonable inquiry and due diligence with respect to accepting Entertainment from third parties.

5.3 Be Responsible

When a specific or unique situation arises, you are expected to use your common sense, experience and professionalism in evaluating whether Entertainment should be offered or accepted. Receipt or provision of Entertainment is also subject to the approvals set out in the Approval Annex.

[p.6] To this end, for all cases of Entertainment offered or received by you, the "newspaper" or reputation test may be helpful to apply. This test consists, for the person who offers the Entertainment, in asking that if the Entertainment in question was the subject of a publication in the local and international press could it cause difficulty or be damaging to the reputation of the offeror, the recipient or the respective organizations.

5.4 Keep Records

Entertainment must be offered or received transparently and recorded as such. Transactions must be documented with full transparency.

When Entertainment is offered, the name of the offering employee, the name of the recipient, the business purpose, the date the item was offered and the description of the item in question, including the approximate value, should be recorded. This information must appear in the Company's records. All necessary approvals should be part of the record. Additional documentation requirements are specified in the Approval Annex.

6. Non-Compliance

Employees and representatives who violate this Policy may be subject to disciplinary action up to and including termination of employment or engagement as the case may be. Any disciplinary decision applied by the Company in any situation will be without prejudice to any civil or criminal consequences that the violation may give rise to depending on the laws of a particular country.

7. Approvals and Documentation of Entertainment

Approval levels for offering of Entertainment - including the nature of the Entertainment, monetary thresholds and the function(s) required to provide the approval - are specified in the Approval Annex.

The Approval Annex also specifies any documentation required beyond that specified in Section 5.4 above.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
There is no clear publicly available evidence the company requires the involvement of its procurement department in the establishment of new supplier relationships and the oversight of its supplier base.
Evidence
<p>[11] Form 20-F 2019 Annual Report (Document) Accessed 03/06/2020 http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a [p.21] Governmental Regulation</p> <p>Government Contracting Regulations.</p> <p>We operate under laws, regulations, administrative rules and other legal requirements governing defense and other government contracts, mainly in Israel and the United States. Some of these legal requirements carry major penalty provisions for non-compliance, including disqualification from participating in future contracts. In addition, our participation in governmental procurement processes in Israel, the United States and other countries is subject to specific regulations governing the conduct of the process of procuring defense and homeland security contracts, including increasing requirements in the area of cyber production, information assurance and supply chain assurance.</p> <p>[p.22] Procurement Regulations. Solicitations for procurements by governmental purchasing agencies in Israel, the United States and other countries are governed by laws, regulations and procedures such as those relating to procurement integrity, including avoiding conflicts of interest and corruption, and meeting information assurance and cyber-security requirements. Such regulations also include provisions relating to the avoidance of human trafficking and counterfeit parts in the supply chain.</p> <p>[p.26] Supply Chain We conduct supply chain activities that consist of procurement, logistics and planning at most of our operational facilities. We use a “hybrid” operating model that combines global commodities categories management with divisional supply chain management. This model facilitates leveraging economies of scale, develops centers of excellence and reduces supply chain risks. We generally are not dependent on single sources of supply. We manage our inventory according to project requirements. In some projects, specific subcontractors are designated by the customer. Raw materials used by us are generally available from a range of suppliers internationally, and the prices of such materials are generally not subject to significant volatility. We monitor the on-time delivery and the quality of our contractors and encourage them to continuously improve their performance. We also require our suppliers to adhere to our Supplier Code of Conduct and to comply with a range of procurement compliance standards, including those relating to the avoidance of human trafficking, counterfeit parts and conflict minerals.</p> <p>[p.28] Social Sustainability and Environmental, Social and Governance (ESG) Practices</p> <p>[...] We place emphasis on best practices in corporate governance, ethical conduct (including anti-bribery/corruption compliance) and fair employment practices. We also pursue continuous improvement of our operations from an environmental, health and safety perspective and have a policy of combating human trafficking and avoiding the use of “conflict minerals” in our supply chain. These activities support our involvement as active members in leading sustainability and ethics organizations. We periodically publish a Sustainability Report, available on our website, detailing our activities in the areas of corporate responsibility, ethics, environmental, health and safety initiatives and community-related activities.</p>

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based due diligence when engaging with suppliers. The company indicates that the highest risk suppliers are subject to enhanced due diligence. There is also evidence that the company is willing to review and terminate supplier relationships in instances where red flags highlighted during the due diligence process cannot be mitigated.</p> <p>However, the company receives a score of '1' because it is not clear from publicly available information how frequently it conducts these checks. There is also no clear evidence that the company includes checks on the ultimate beneficial ownership of suppliers as part of its due diligence procedure.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.4] 2.Applicability 2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.8] 9. Due Diligence The Company could be held liable for the conduct of third parties acting on our behalf. Further, when acquiring another company or business we run the risk of reputational damage and financial consequences related to any pre-acquisition conduct and, of course, any conduct that continues once it is acquired by us. Accordingly, prior to proceeding with the engagement of a third party service provider, formation of a joint venture/teaming arrangement or acquisition of another company, the Company will conduct thorough due diligence on all relevant parties, including service providers, consultants, agents and representatives, subcontractors, suppliers, potential teaming/joint venture partners and acquisition targets. To provide more guidance on our due diligence procedures, the Company has adopted a Procedure on Anti-Bribery and Corruption Due Diligence.</p> <p>[p. 9] 11. Red Flags 11.1 What is a Red Flag? "Red Flags" are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated. [...]</p> <p>11.3 Examples The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.10] c. Third Party Due Diligence Findings:</p> <ul style="list-style-type: none"> • indications of a close personal relationship between the third party and a Government or Public Official or customer that could improperly influence a decision; • recommendation of a third party by a Government or Public Official; • recommendation of a third party who has a personal, family or business relationship with a Government Official; • insufficient bona fide business reasons for retaining the third party; • the third party is not qualified or lacks the necessary experience and resources to perform the functions for which it has been engaged;

- refusal of the third party to contractually commit to compliance with applicable antibribery laws and regulations;
- the Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement; or
- indications of previous involvement in behavior contrary to applicable anti-bribery laws and regulations or other legal requirements.

[p. 11] 11.4 Reporting Red Flags

It is the responsibility of the employee who observes or suspects a Red Flag to report the matter to his or her supervisor as well as the Legal Department or the CCO. Remember – if in doubt – consult.

[6] Company-wide procedure on anti-bribery and corruption due diligence (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf

[p.1] 1.Introduction

Elbit Systems Ltd. and our subsidiaries worldwide (collectively the “Company”) are committed to ethical business practices, and it is our policy to follow the anti-corruption and compliance laws of every country in which we do business. It is essential that the Company only engage with those entities and individuals who are suitable from an anti-corruption perspective. To achieve this goal, the Company has adopted our Anti-Bribery and Corruption Compliance Policy. In that policy we committed to conducting reasonable anti-corruption due diligence on third parties with which the Company intends to engage for marketing and related support services for international programs (a “service provider”), as well as for potential mergers and acquisitions (“M&A”) targets and teaming/joint venture partners.

2.Purpose

To implement our commitment regarding due diligence we have adopted this Company-wide Procedure on Anti-Corruption Due Diligence (the “Procedure”). The purpose of this Procedure and its Annexes is to provide guidance on the anti-corruption due diligence that must be conducted prior to signing a contract with a service provider, acquiring a target company, or partnering with an entity as part of a teaming arrangement or joint-venture (collectively, “third party” or “third parties”).

3.Risk-Based Due Diligence

The Company conducts risk-based due diligence tailored to the facts and circumstances of each case. Based upon the results of the internal due diligence process, a third party may be determined to have risks that will result in enhanced due diligence as described below.

4.Due Diligence Procedures

4.1 Due Diligence Responsibility

Responsibility for anti-corruption due diligence will vary depending on the context. Anti-corruption due diligence is business due diligence. Accordingly, with the support of the Legal Department, the functions within the Company responsible for entering into an agreement to engage a third party, whether it be a service provider or a teaming/joint venture partner, will be responsible for

[p.2] making sure that all necessary due diligence steps are taken and, as importantly, that the results of the due diligence are satisfactory and sufficient to establish that the third party is a worthy business partner for the Company. Similarly, in an M&A context, the team responsible for pursuing the proposed M&A transaction will be responsible for conducting anti-corruption due diligence on the proposed target. Support for the due diligence activities will be provided as necessary by all relevant Company functions.

4.2 Due Diligence Process

The Company will conduct anti-corruption due diligence that includes, at a minimum:

- An initial internal risk assessment;
- An external due diligence report (for service providers); and
- A due diligence questionnaire.

Based on the findings of the external due diligence report and due diligence questionnaire, third parties may require additional due diligence, as may be determined on a case-by-case basis by the Corporate Chief Legal Officer (“CLO”) or the Corporate Chief Compliance Officer (“CCO”). Such additional due diligence measures include requesting further documentation or information concerning compliance issues, conducting interviews with relevant personnel and engaging external parties to perform deeper background checks. Factors that may trigger such

additional due diligence measures include any red flags that may be discovered during the due diligence process, the nature of the third parties' role in the intended transaction, the nature of the transaction for which the third party will be working with the Company and any lack of clarity or unwillingness by the third party to comply with the due diligence process.

5. Dedicated Questionnaires and Checklists

For each of: (i) service providers, (ii) potential teaming/joint ventures partners and (iii) M&A targets, the due diligence process will include use of dedicated questionnaires and checklists as appearing in Annexes A, B and C hereto. The relevant Annex may be incorporated into contracts with a service provider, teaming/joint venture party or M&A target as appropriate.

6. Red Flags

Red flags are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. Red flags are not proof of wrongdoing, and, in most cases, they do not automatically disqualify a third party. But because they present a heightened risk that the third party is or has been engaged in corrupt conduct, the Company will, in all cases, conduct further due diligence to understand the circumstances underlying the red flag. The result of this due diligence may be to "lower" the red flag, i.e., to determine that there is a valid and legitimate explanation that contradicts any suggestion of corruption, or, to the contrary, raise the flag higher to the point where the third party is, in fact, disqualified, i.e., to determine that the third party has likely engaged in corruption and would be likely to engage in such corruption on the Company's behalf. In many cases, however, it will be somewhere in between, requiring us to closely analyze the known and suspected facts and to exercise judgment and discretion in determining whether to proceed with the third party. For that reason, when the due diligence process reveals the existence of red flags, the Corporate Legal Department must

[p.3] be involved in evaluating the red flags, and either the CCO or the CLO must approve the resolution of the red flag issue as well as entering into the engagement.

Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

- The country in which the third party is active or a resident or incorporated does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a "high risk country").
- The identity, background, reputation or commercial history of the prospective third party is unknown to the Company.
- The third party has been directed to the Company by a customer or end user from a high risk country.
- The Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement.
- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.
- The third party uses suspicious accounting and financial techniques, including shell companies, payments to third-country banks, suspicious or deceptive invoices, payments in cash or cash equivalents.
- The third party lacks sufficient experience to perform the activities for which it was engaged or has offered to perform.
- The third party was referred to the Company by a customer or a government or public official.
- Circumstances exist which give rise to a reasonable (though unproven) suspicion that the third party lacks integrity, is not acting honestly or in good faith or that, by way of association with the third party, the Company's reputation would be detrimentally affected.

7. Conclusion of Due Diligence

To conclude due diligence, the Company functions performing the due diligence will prepare a Due Diligence Summary, including the information collected and verified during the due diligence process. The Due Diligence Summary must include:

- Red flags identified (from external due diligence report, questionnaire or otherwise); and
- Any proposed mitigating measures that could be taken.

[p.4] 8.Records

To demonstrate the Company's commitment to taking reasonable steps to prevent affiliation with corrupt activities or corrupt actors, the Company will collect and keep documentation related to the due diligence process. The relevant documents should at a minimum include:

- Completed due diligence questionnaire, including any supporting documentation;
 - External due diligence report (if applicable);
 - Results of the risk-based due diligence activities;
 - Summary of due diligence findings; and
 - Any other relevant documentation related to the acquisition, teaming/joint venture or service provider.
- Such records shall be maintained for five (5) years after the close of due diligence or for as long as the applicable agreement is in effect or the applicable joint venture exists.

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company indicates that all suppliers must have, at minimum, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies and procedures to address conflicts of interest, gifts and hospitality, and whistleblowing.</p> <p>There is evidence that the company takes active steps to ensure this by requiring that all suppliers follow its Supplier Code of Conduct. In addition, there is evidence that the company assures itself of this when onboarding new suppliers and periodically thereafter through the inclusion of auditing rights in its contracts with suppliers.</p>
Evidence
<p>[7] Supplier Code of Conduct (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_SUPPLIER_CODE_OF_CONDUCT_6-March-2019.pdf [p.4] D. Anti-Corruption</p> <p>1) Anti-Corruption Laws and Regulations You must comply with the anti-corruption laws, directives and regulations that govern operations in the countries in which you do business. When working with us this includes compliance with the U.S. Foreign Corrupt Practices Act, among other laws and regulations.</p> <p>2) Zero Tolerance Policy The Company has a “zero tolerance” policy against corruption, whether done directly by Company employees or indirectly through our Supply Chain. For further information, see the Company’s Anti-Bribery and Corruption Compliance Policy, which is available on our website www.elbitsystems.com under “About – Ethics and Conduct”.</p> <p>3) Illegal and Improper Payments or Benefits Doing business the right way means never providing or receiving anything of value to obtain a business advantage or favorable treatment or exert undue influence, including offering, giving, asking for or taking any form of bribe or kickback. This prohibition extends to payments and gifts of cash or in kind, made directly or through others. You must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. This includes a prohibition on facilitating payments intended to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law.</p> <p>4) Due Diligence You are expected to exert reasonable due diligence to prevent and detect corruption in all business arrangements, including partnerships, joint ventures, offset agreements and the hiring of intermediaries such as agents or consultants.</p> <p>5) Gifts/Business Courtesies We and our Supply Chain must compete solely on the merits of our products and services. You must not try to influence a customer's decision to purchase from us or to otherwise gain an unfair competitive advantage by offering gifts, meals, travel expenses, entertainment or other business courtesies that exceed acceptable levels. Government agencies and companies have regulations prohibiting their employees' acceptance of items of value from contractors or suppliers. In any business relationship, you must ensure that: (i) the offering or receipt of any gift or business courtesy is permitted by law and regulation, and (ii) these exchanges do not violate the rules and standards of the recipient's organization and are consistent with reasonable marketplace customs and practices. Although standard give-away items of a nominal value may be provided or accepted in appropriate situations, cash and cash equivalents (such as gift cards) are prohibited. For further information see the Company's Business Entertainment and Gifts Policy, which is available on our website www.elbitsystems.com under “About Ethics and Compliance”.</p>

[p.5] G. Conflicts of Interest

You are expected to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest and provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of the Company and your or your employees' personal interests or the interests of your employee's close relatives, friends or associates.

[p.8] P. Ethics Program Expectations

1) Whistleblower Protection and Non-Retaliation

You are expected to provide your employees with avenues for raising legal or ethical issues or concerns without fear of retaliation. You are also expected to take action to prevent, detect and correct any retaliatory actions. Company policy prohibits retaliation against any person making a good faith effort to report possible violations of the principles in this Code.

2) Consequences for Violating the Code

In the event that the expectations of this Code are not met, the business relationship may be reviewed and corrective action pursued subject to the terms of the related procurement contracts.

3) Ethics Policies

Commensurate with the size and nature of your business, you are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within this Code. You are encouraged to implement your own written code of conduct and to flow down those principles to the entities that furnish you with goods and services. We expect you to maintain effective programs to encourage your employees to make ethical, values-driven choices in your business dealings - beyond compliance with laws, regulations and contract requirements.

[...]

R. Right to Audit

We reserve the right to periodically review your business practices and applicable records to ensure compliance with this Code. You are expected to comply with our reasonable inquiries related to your work for us and cooperate with audits and investigations.

[1] Anti-Bribery and Corruption Compliance Policy (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf

[p.4] 2. Applicability

2.2 Third Parties

In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.

[p.8] 9. Due Diligence

The Company could be held liable for the conduct of third parties acting on our behalf. Further, when acquiring another company or business we run the risk of reputational damage and financial consequences related to any pre-acquisition conduct and, of course, any conduct that continues once it is acquired by us. Accordingly, prior to proceeding with the engagement of a third party service provider, formation of a joint venture/teaming arrangement or acquisition of another company, the Company will conduct thorough due diligence on all relevant parties, including service providers, consultants, agents and representatives, subcontractors, suppliers, potential teaming/joint venture partners and acquisition targets. To provide more guidance on our due diligence procedures, the Company has adopted a Procedure on Anti-Bribery and Corruption Due Diligence.

[11] Form 20-F 2019 Annual Report (Document)

Accessed 03/06/2020

<http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999f6a>

[p.28] Ethics

[...] We also expect our supply chain to follow ethical practices.

[2] Code of Business Conduct and Ethics (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf

[p.5] 3. Applicability

You are subject to this Ethics Code if you are a director, officer or employee of Elbit Systems Ltd. or any of our Company entities. For our subsidiaries outside of Israel the Ethics Code may be supplemented or adapted to reflect applicable local requirements. In addition, this Ethics Code applies to your own actions as well as those you may conduct indirectly through relatives, friends or other personal relationships. We also expect our suppliers and vendors to comply with certain ethical standards as reflected in our Supplier Code referenced in Section 1.C above.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required of sub-contractors throughout the supply chain.</p> <p>However, the company receives a score of '1' because the company does not provide further publicly available information on how it ensures this in practice, for example by adding a clause on subcontractors in contracts with suppliers or by providing training to subcontractors.</p>
Evidence
<p>[7] Supplier Code of Conduct (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_SUPPLIER_CODE_OF_CONDUCT_6-March-2019.pdf [p.8] P. Ethics Program Expectations</p> <p>[...]</p> <p>3) Ethics Policies Commensurate with the size and nature of your business, you are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within this Code. You are encouraged to implement your own written code of conduct and to flow down those principles to the entities that furnish you with goods and services. We expect you to maintain effective programs to encourage your employees to make ethical, values-driven choices in your business dealings - beyond compliance with laws, regulations and contract requirements.</p>

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations or the associated disciplinary actions involving its suppliers.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
2
Comments
<p>Based on publicly available information, there is evidence the company has a policy on the use of agents, which also applies to agents employed by subsidiaries and joint ventures. There is evidence to indicate that the company assures itself that there is a legitimate need and business rationale prior to contracting an agent. The company states that it conducts due diligence as one method for mitigating the corruption risks associated with using agents.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.4] 2.1 Company-Wide The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy). <p>2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.6] • Supplier: A supplier means any company or organization or individual that provides goods and services to the Company. The definition of Supplier is to be interpreted broadly, and is meant to include subcontractors, service providers, agents, consultants and representatives.</p> <p>[p.9] 11. Red Flags</p> <p>11.1 What is a Red Flag?</p> <p>“Red Flags” are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A Red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated.</p> <p>11.2 Identifying and Following-Up Red Flags In all dealings with potential or current consultants or representatives, our customers or other third parties, Company directors, officers and employees must be conscious of any Red Flags that may be present or arise that suggest possible violations of anti-bribery and corruption standards. When a Red Flag is identified you must be sensitive to the risk of corruption it presents. It must be followed up and appropriate steps be taken to prevent the Company being implicated in bribery or corruption, including possible termination of the third party relationship or walking away from an acquisition, joint venture or business opportunity. In the context of acquisitions, teaming/joint ventures and third party service providers, the Company has adopted specific due diligence processes specifically designed to detect and address Red Flags. See the Procedure on Anti-Bribery and Corruption Due Diligence.</p>

[p.10] c. Third Party Due Diligence Findings:

- indications of a close personal relationship between the third party and a Government or Public Official or customer that could improperly influence a decision;
- recommendation of a third party by a Government or Public Official;
- recommendation of a third party who has a personal, family or business relationship with a Government Official;
- insufficient bona fide business reasons for retaining the third party;
- the third party is not qualified or lacks the necessary experience and resources to perform the functions for which it has been engaged;

[2] Code of Business Conduct and Ethics (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf

[p.5] 3. Applicability

You are subject to this Ethics Code if you are a director, officer or employee of Elbit Systems Ltd. or any of our Company entities. For our subsidiaries outside of Israel the Ethics Code may be supplemented or adapted to reflect applicable local requirements. In addition, this Ethics Code applies to your own actions as well as those you may conduct indirectly through relatives, friends or other personal relationships. We also expect our suppliers and vendors to comply with certain ethical standards as reflected in our Supplier Code referenced in Section 1.C above.

[7] Supplier Code of Conduct (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_SUPPLIER_CODE_OF_CONDUCT_6-March-2019.pdf

[p.4] D. Anti-Corruption

1) Anti-Corruption Laws and Regulations

You must comply with the anti-corruption laws, directives and regulations that govern operations in the countries in which you do business. When working with us this includes compliance with the U.S. Foreign Corrupt Practices Act, among other laws and regulations.

2) Zero Tolerance Policy

The Company has a "zero tolerance" policy against corruption, whether done directly by Company employees or indirectly through our Supply Chain. For further information, see the Company's Anti-Bribery and Corruption Compliance Policy, which is available on our website www.elbitsystems.com under "About – Ethics and Conduct".

3) Illegal and Improper Payments or Benefits

Doing business the right way means never providing or receiving anything of value to obtain a business advantage or favorable treatment or exert undue influence, including offering, giving, asking for or taking any form of bribe or kickback. This prohibition extends to payments and gifts of cash or in kind, made directly or through others. You must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. This includes a prohibition on facilitating payments intended to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law.

4) Due Diligence

You are expected to exert reasonable due diligence to prevent and detect corruption in all business arrangements, including partnerships, joint ventures, offset agreements and the hiring of intermediaries such as agents or consultants.

5) Gifts/Business Courtesies

We and our Supply Chain must compete solely on the merits of our products and services. You must not try to influence a customer's decision to purchase from us or to otherwise gain an unfair competitive advantage by offering gifts, meals, travel expenses, entertainment or other business courtesies that exceed acceptable levels. Government agencies and companies have regulations prohibiting their employees' acceptance of items of value from contractors or suppliers. In any business relationship, you must ensure that: (i) the offering or receipt of any gift or business courtesy is permitted by law and regulation, and (ii) these exchanges do not violate the rules and standards of the recipient's organization and are consistent with reasonable marketplace customs and practices. Although standard give-away items of a nominal value may be provided or accepted in appropriate situations, cash and cash equivalents (such as gift cards) are prohibited. For further information see the Company's Business

Entertainment and Gifts Policy, which is available on our website www.elbitsystems.com under "About Ethics and Compliance".

[p.5] G. Conflicts of Interest

You are expected to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest and provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of the Company and your or your employees' personal interests or the interests of your employee's close relatives, friends or associates.

[p.8] P. Ethics Program Expectations

1) Whistleblower Protection and Non-Retaliation

You are expected to provide your employees with avenues for raising legal or ethical issues or concerns without fear of retaliation. You are also expected to take action to prevent, detect and correct any retaliatory actions. Company policy prohibits retaliation against any person making a good faith effort to report possible violations of the principles in this Code.

2) Consequences for Violating the Code

In the event that the expectations of this Code are not met, the business relationship may be reviewed and corrective action pursued subject to the terms of the related procurement contracts.

3) Ethics Policies

Commensurate with the size and nature of your business, you are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within this Code. You are encouraged to implement your own written code of conduct and to flow down those principles to the entities that furnish you with goods and services. We expect you to maintain effective programs to encourage your employees to make ethical, values-driven choices in your business dealings - beyond compliance with laws, regulations and contract requirements.

[...]

R. Right to Audit

We reserve the right to periodically review your business practices and applicable records to ensure compliance with this Code. You are expected to comply with our reasonable inquiries related to your work for us and cooperate with audits and investigations.

[6] Company-wide procedure on anti-bribery and corruption due diligence (Document)

Accessed 06/10/2019

https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf

[p.1] 1.Introduction

Elbit Systems Ltd. and our subsidiaries worldwide (collectively the "Company") are committed to ethical business practices, and it is our policy to follow the anti-corruption and compliance laws of every country in which we do business. It is essential that the Company only engage with those entities and individuals who are suitable from an anti-corruption perspective. To achieve this goal, the Company has adopted our Anti-Bribery and Corruption Compliance Policy. In that policy we committed to conducting reasonable anti-corruption due diligence on third parties with which the Company intends to engage for marketing and related support services for international programs (a "service provider"), as well as for potential mergers and acquisitions ("M&A") targets and teaming/joint venture partners.

[p.2] Factors that may trigger such additional due diligence measures include any red flags that may be discovered during the due diligence process, the nature of the third parties' role in the intended transaction, the nature of the transaction for which the third party will be working with the Company and any lack of clarity or unwillingness by the third party to comply with the due diligence process.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>Based on publicly available information, there is evidence the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging with its third parties and agents. There is evidence indicating that the company conducts enhanced due diligence on the higher risk intermediaries. The company indicates that in instances where red flags identified during the due diligence process cannot be mitigated, third parties may be disqualified from engaging with the company.</p> <p>However, there is no publicly available evidence that due diligence is repeated at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.4] 2.Applicability 2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.8] 9. Due Diligence The Company could be held liable for the conduct of third parties acting on our behalf. Further, when acquiring another company or business we run the risk of reputational damage and financial consequences related to any pre-acquisition conduct and, of course, any conduct that continues once it is acquired by us. Accordingly, prior to proceeding with the engagement of a third party service provider, formation of a joint venture/teaming arrangement or acquisition of another company, the Company will conduct thorough due diligence on all relevant parties, including service providers, consultants, agents and representatives, subcontractors, suppliers, potential teaming/joint venture partners and acquisition targets. To provide more guidance on our due diligence procedures, the Company has adopted a Procedure on Anti-Bribery and Corruption Due Diligence.</p> <p>[p.10] c. Third Party Due Diligence Findings:</p> <ul style="list-style-type: none"> • indications of a close personal relationship between the third party and a Government or Public Official or customer that could improperly influence a decision; • recommendation of a third party by a Government or Public Official; • recommendation of a third party who has a personal, family or business relationship with a Government Official; • insufficient bona fide business reasons for retaining the third party; • the third party is not qualified or lacks the necessary experience and resources to perform the functions for which it has been engaged; • refusal of the third party to contractually commit to compliance with applicable antibribery laws and regulations; • the Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement; or • indications of previous involvement in behavior contrary to applicable anti-bribery laws and regulations or other legal requirements. <p>[6] Company-wide procedure on anti-bribery and corruption due diligence (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf</p> <p>[p.1] 1.Introduction</p>

Elbit Systems Ltd. and our subsidiaries worldwide (collectively the “Company”) are committed to ethical business practices, and it is our policy to follow the anti-corruption and compliance laws of every country in which we do business. It is essential that the Company only engage with those entities and individuals who are suitable from an anti-corruption perspective. To achieve this goal, the Company has adopted our Anti-Bribery and Corruption Compliance Policy. In that policy we committed to conducting reasonable anti-corruption due diligence on third parties with which the Company intends to engage for marketing and related support services for international programs (a “service provider”), as well as for potential mergers and acquisitions (“M&A”) targets and teaming/joint venture partners.

2. Purpose

To implement our commitment regarding due diligence we have adopted this Company-wide Procedure on Anti-Corruption Due Diligence (the “Procedure”). The purpose of this Procedure and its Annexes is to provide guidance on the anti-corruption due diligence that must be conducted prior to signing a contract with a service provider, acquiring a target company, or partnering with an entity as part of a teaming arrangement or joint-venture (collectively, “third party” or “third parties”).

3. Risk-Based Due Diligence

The Company conducts risk-based due diligence tailored to the facts and circumstances of each case. Based upon the results of the internal due diligence process, a third party may be determined to have risks that will result in enhanced due diligence as described below.

4. Due Diligence Procedures

4.1 Due Diligence Responsibility

Responsibility for anti-corruption due diligence will vary depending on the context. Anti-corruption due diligence is business due diligence. Accordingly, with the support of the Legal Department, the functions within the Company responsible for entering into an agreement to engage a third party, whether it be a service provider or a teaming/joint venture partner, will be responsible for

[p.2] making sure that all necessary due diligence steps are taken and, as importantly, that the results of the due diligence are satisfactory and sufficient to establish that the third party is a worthy business partner for the Company. Similarly, in an M&A context, the team responsible for pursuing the proposed M&A transaction will be responsible for conducting anti-corruption due diligence on the proposed target. Support for the due diligence activities will be provided as necessary by all relevant Company functions.

4.2 Due Diligence Process

The Company will conduct anti-corruption due diligence that includes, at a minimum:

- An initial internal risk assessment;
- An external due diligence report (for service providers); and
- A due diligence questionnaire.

Based on the findings of the external due diligence report and due diligence questionnaire, third parties may require additional due diligence, as may be determined on a case-by-case basis by the Corporate Chief Legal Officer (“CLO”) or the Corporate Chief Compliance Officer (“CCO”). Such additional due diligence measures include requesting further documentation or information concerning compliance issues, conducting interviews with relevant personnel and engaging external parties to perform deeper background checks. Factors that may trigger such additional due diligence measures include any red flags that may be discovered during the due diligence process, the nature of the third parties’ role in the intended transaction, the nature of the transaction for which the third party will be working with the Company and any lack of clarity or unwillingness by the third party to comply with the due diligence process.

5. Dedicated Questionnaires and Checklists

For each of: (i) service providers, (ii) potential teaming/joint ventures partners and (iii) M&A targets, the due diligence process will include use of dedicated questionnaires and checklists as appearing in Annexes A, B and C hereto. The relevant Annex may be incorporated into contracts with a service provider, teaming/joint venture party or M&A target as appropriate.

6. Red Flags

Red flags are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. Red flags are not proof of wrongdoing, and, in most cases, they do not automatically disqualify a third party. But because they present a heightened risk that the third party is or has been engaged in corrupt conduct, the Company will, in all cases, conduct further due diligence to understand the

circumstances underlying the red flag. The result of this due diligence may be to “lower” the red flag, i.e., to determine that there is a valid and legitimate explanation that contradicts any suggestion of corruption, or, to the contrary, raise the flag higher to the point where the third party is, in fact, disqualified, i.e., to determine that the third party has likely engaged in corruption and would be likely to engage in such corruption on the Company’s behalf. In many cases, however, it will be somewhere in between, requiring us to closely analyze the known and suspected facts and to exercise judgment and discretion in determining whether to proceed with the third party. For that reason, when the due diligence process reveals the existence of red flags, the Corporate Legal Department must

[p.3] be involved in evaluating the red flags, and either the CCO or the CLO must approve the resolution of the red flag issue as well as entering into the engagement.

Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

- The country in which the third party is active or a resident or incorporated does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a “high risk country”).
- The identity, background, reputation or commercial history of the prospective third party is unknown to the Company.
- The third party has been directed to the Company by a customer or end user from a high risk country.
- The Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement.
- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.
- The third party uses suspicious accounting and financial techniques, including shell companies, payments to third-country banks, suspicious or deceptive invoices, payments in cash or cash equivalents.
- The third party lacks sufficient experience to perform the activities for which it was engaged or has offered to perform.
- The third party was referred to the Company by a customer or a government or public official.
- Circumstances exist which give rise to a reasonable (though unproven) suspicion that the third party lacks integrity, is not acting honestly or in good faith or that, by way of association with the third party, the Company’s reputation would be detrimentally affected.

7. Conclusion of Due Diligence

To conclude due diligence, the Company functions performing the due diligence will prepare a Due Diligence Summary, including the information collected and verified during the due diligence process. The Due Diligence Summary must include:

- Red flags identified (from external due diligence report, questionnaire or otherwise); and
- Any proposed mitigating measures that could be taken.

[p.4] 8. Records

To demonstrate the Company’s commitment to taking reasonable steps to prevent affiliation with corrupt activities or corrupt actors, the Company will collect and keep documentation related to the due diligence process. The relevant documents should at a minimum include:

- Completed due diligence questionnaire, including any supporting documentation;
- External due diligence report (if applicable);
- Results of the risk-based due diligence activities;
- Summary of due diligence findings; and
- Any other relevant documentation related to the acquisition, teaming/joint venture or service provider.

Such records shall be maintained for five (5) years after the close of due diligence or for as long as the applicable agreement is in effect or the applicable joint venture exists.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
<p>Based on publicly available information, there is some evidence that the company aims to establish the identity and background of its agents as part of the due diligence process.</p> <p>However, it is not clear publicly available information that this includes formally establishing the ultimate beneficial ownership of agents, nor is there evidence that the company commits to not engage or terminate its engagement with agents or intermediaries in situations where beneficial ownership cannot be established.</p>
Evidence
<p>[6] Company-wide procedure on anti-bribery and corruption due diligence (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf 6.Red Flags</p> <p>[...]</p> <p>[p.3] Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.</p> <p>Red flags (Illustrative examples):</p> <p>[...]</p> <ul style="list-style-type: none"> • The identity, background, reputation or commercial history of the prospective third party is unknown to the Company. <p>[...]</p> <ul style="list-style-type: none"> • The Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement.

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
2
Comments
Based on publicly available information, there is evidence that the company's anti-bribery and corruption policy applies to all agents and intermediaries acting for or on behalf of the company. The company indicates that all agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts. There is evidence indicating that the company includes audit and termination rights in its contracts with these entities.
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.4] 2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p> <p>[p.6] • Supplier: A supplier means any company or organization or individual that provides goods and services to the Company. The definition of Supplier is to be interpreted broadly, and is meant to include subcontractors, service providers, agents, consultants and representatives.</p> <p>[p. 9] 11. Red Flags 11.1 What is a Red Flag? "Red Flags" are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated.</p> <p>[p.10] c. Third Party Due Diligence Findings: [...]</p> <ul style="list-style-type: none"> • refusal of the third party to contractually commit to compliance with applicable antibribery laws and regulations; <p>[2] Code of Business Conduct and Ethics (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf</p> <p>[p.5] 3. Applicability You are subject to this Ethics Code if you are a director, officer or employee of Elbit Systems Ltd. or any of our Company entities. For our subsidiaries outside of Israel the Ethics Code may be supplemented or adapted to reflect applicable local requirements. In addition, this Ethics Code applies to your own actions as well as those you may conduct indirectly through relatives, friends or other personal relationships. We also expect our suppliers and vendors to comply with certain ethical standards as reflected in our Supplier Code referenced in Section 1.C above.</p> <p>[7] Supplier Code of Conduct (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_SUPPLIER_CODE_OF_CONDUCT_6-March-2019.pdf</p> <p>[p.4] D. Anti-Corruption 1) Anti-Corruption Laws and Regulations You must comply with the anti-corruption laws, directives and regulations that govern operations in the countries in which you do business. When working with us this includes compliance with the U.S. Foreign Corrupt Practices Act, among other laws and regulations.</p>

2) Zero Tolerance Policy

The Company has a “zero tolerance” policy against corruption, whether done directly by Company employees or indirectly through our Supply Chain. For further information, see the Company’s Anti-Bribery and Corruption Compliance Policy, which is available on our website www.elbitsystems.com under “About – Ethics and Conduct”.

3) Illegal and Improper Payments or Benefits

Doing business the right way means never providing or receiving anything of value to obtain a business advantage or favorable treatment or exert undue influence, including offering, giving, asking for or taking any form of bribe or kickback. This prohibition extends to payments and gifts of cash or in kind, made directly or through others. You must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. This includes a prohibition on facilitating payments intended to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law.

4) Due Diligence

You are expected to exert reasonable due diligence to prevent and detect corruption in all business arrangements, including partnerships, joint ventures, offset agreements and the hiring of intermediaries such as agents or consultants.

5) Gifts/Business Courtesies

We and our Supply Chain must compete solely on the merits of our products and services. You must not try to influence a customer's decision to purchase from us or to otherwise gain an unfair competitive advantage by offering gifts, meals, travel expenses, entertainment or other business courtesies that exceed acceptable levels. Government agencies and companies have regulations prohibiting their employees' acceptance of items of value from contractors or suppliers. In any business relationship, you must ensure that: (i) the offering or receipt of any gift or business courtesy is permitted by law and regulation, and (ii) these exchanges do not violate the rules and standards of the recipient's organization and are consistent with reasonable marketplace customs and practices. Although standard give-away items of a nominal value may be provided or accepted in appropriate situations, cash and cash equivalents (such as gift cards) are prohibited. For further information see the Company’s Business Entertainment and Gifts Policy, which is available on our website www.elbitsystems.com under “About Ethics and Compliance”.

[p.5] G. Conflicts of Interest

You are expected to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest and provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of the Company and your or your employees' personal interests or the interests of your employee's close relatives, friends or associates.

[p.8] P. Ethics Program Expectations

1) Whistleblower Protection and Non-Retaliation

You are expected to provide your employees with avenues for raising legal or ethical issues or concerns without fear of retaliation. You are also expected to take action to prevent, detect and correct any retaliatory actions. Company policy prohibits retaliation against any person making a good faith effort to report possible violations of the principles in this Code.

2) Consequences for Violating the Code

In the event that the expectations of this Code are not met, the business relationship may be reviewed and corrective action pursued subject to the terms of the related procurement contracts.

3) Ethics Policies

Commensurate with the size and nature of your business, you are expected to establish management systems to support compliance with laws and regulations, as well as the expectations expressed within this Code. You are encouraged to implement your own written code of conduct and to flow down those principles to the entities that furnish you with goods and services. We expect you to maintain effective programs to encourage your employees to make ethical, values-driven choices in your business dealings - beyond compliance with laws, regulations and contract requirements.

[...]

R. Right to Audit

We reserve the right to periodically review your business practices and applicable records to ensure compliance with this Code. You are expected to comply with our reasonable inquiries related to your work for us and cooperate with audits and investigations.

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>There is publicly available evidence that the company highlights incentive structures for third parties as a factor in bribery and corruption risk. The company outlines a number of these risks, including cash payments and unusual payment methods, as well as excessive fees.</p> <p>However, it is not clear from publicly available information that the company's incentive structures for agents include further controls to reduce bribery and corruption risk, such as a threshold on the payment of sales commissions to agents or a requirement remuneration be made in stage payments or into local bank accounts.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.8] 9. Due Diligence The Company could be held liable for the conduct of third parties acting on our behalf. Further, when acquiring another company or business we run the risk of reputational damage and financial consequences related to any pre-acquisition conduct and, of course, any conduct that continues once it is acquired by us. Accordingly, prior to proceeding with the engagement of a third party service provider, formation of a joint venture/teaming arrangement or acquisition of another company, the Company will conduct thorough due diligence on all relevant parties, including service providers, consultants, agents and representatives, subcontractors, suppliers, potential teaming/joint venture partners and acquisition targets. To provide more guidance on our due diligence procedures, the Company has adopted a Procedure on Anti-Bribery and Corruption Due Diligence.</p> <p>[p. 9] 11. Red Flags 11.1 What is a Red Flag? "Red Flags" are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated.</p> <p>[p.11] e. Accounting and Payments:</p> <ul style="list-style-type: none"> • payments made or offered in cash, including cash payments or per diems and reimbursements for travel and lodging related expenses, which are paid directly to the Government or Public Officials; • inadequately documented payments or expenses; • requests for unusual payment channels; • excessive fees; • deceptive or inaccurate bookkeeping entries, or accounting procedures which would conceal the true nature of the expenses (e.g. entertainment recorded as a training expense); or • the use of false documents and invoices. <p>11.4 Reporting Red Flags It is the responsibility of the employee who observes or suspects a Red Flag to report the matter to his or her supervisor as well as the Legal Department or the CCO. Remember — if in doubt - consult.</p> <p>[6] Company-wide procedure on anti-bribery and corruption due diligence (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf</p> <p>[p.3] Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service</p>

provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

[..]

- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.
- The third party uses suspicious accounting and financial techniques, including shell companies, payments to third-country banks, suspicious or deceptive invoices, payments in cash or cash equivalents.
- The third party lacks sufficient experience to perform the activities for which it was engaged or has offered to perform.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or on its behalf.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations, incidents or the associated disciplinary actions involving its agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all of its joint venture partnerships. The company indicates that it conducts enhanced due diligence on joint ventures operating in high risk countries.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that such due diligence is repeated at least every two years. There is also no clear evidence that the company's due diligence procedure includes checks on the ultimate beneficial ownership of the partner company.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.8] 9. Due Diligence The Company could be held liable for the conduct of third parties acting on our behalf. Further, when acquiring another company or business we run the risk of reputational damage and financial consequences related to any pre-acquisition conduct and, of course, any conduct that continues once it is acquired by us. Accordingly, prior to proceeding with the engagement of a third party service provider, formation of a joint venture/teaming arrangement or acquisition of another company, the Company will conduct thorough due diligence on all relevant parties, including service providers, consultants, agents and representatives, subcontractors, suppliers, potential teaming/joint venture partners and acquisition targets. To provide more guidance on our due diligence procedures, the Company has adopted a Procedure on Anti-Bribery and Corruption Due Diligence.</p> <p>[p. 9] 11. Red Flags 11.1 What is a Red Flag? "Red Flags" are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. A red Flag is not definitive evidence of corruption but it requires that we conduct an inquiry to understand whether: (i) there are legitimate and credible explanations, (ii) there is no apparent legitimate explanation or (iii) the risk of corruption is confirmed and substantiated. [...]</p> <p>11.3 Examples The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.10] c. Third Party Due Diligence Findings:</p> <ul style="list-style-type: none"> • indications of a close personal relationship between the third party and a Government or Public Official or customer that could improperly influence a decision; • recommendation of a third party by a Government or Public Official; • recommendation of a third party who has a personal, family or business relationship with a Government Official; • insufficient bona fide business reasons for retaining the third party; • the third party is not qualified or lacks the necessary experience and resources to perform the functions for which it has been engaged; • refusal of the third party to contractually commit to compliance with applicable antibribery laws and regulations; • the Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement; or

- indications of previous involvement in behavior contrary to applicable anti-bribery laws and regulations or other legal requirements.

[6] Company-wide procedure on anti-bribery and corruption due diligence (Document)

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[p.1] 1.Introduction

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2.Purpose

To implement our commitment regarding due diligence we have adopted this Company-wide Procedure on Anti-Corruption Due Diligence (the “Procedure”). The purpose of this Procedure and its Annexes is to provide guidance on the anti-corruption due diligence that must be conducted prior to signing a contract with a service provider, acquiring a target company, or partnering with an entity as part of a teaming arrangement or joint-venture (collectively, “third party” or “third parties”).

3.Risk-Based Due Diligence

The Company conducts risk-based due diligence tailored to the facts and circumstances of each case. Based upon the results of the internal due diligence process, a third party may be determined to have risks that will result in enhanced due diligence as described below.

4.Due Diligence Procedures

4.1 Due Diligence Responsibility

Responsibility for anti-corruption due diligence will vary depending on the context. Anti-corruption due diligence is business due diligence. Accordingly, with the support of the Legal Department, the functions within the Company responsible for entering into an agreement to engage a third party, whether it be a service provider or a teaming/joint venture partner, will be responsible for

[p.2] making sure that all necessary due diligence steps are taken and, as importantly, that the results of the due diligence are satisfactory and sufficient to establish that the third party is a worthy business partner for the Company. Similarly, in an M&A context, the team responsible for pursuing the proposed M&A transaction will be responsible for conducting anti-corruption due diligence on the proposed target. Support for the due diligence activities will be provided as necessary by all relevant Company functions.

4.2 Due Diligence Process

The Company will conduct anti-corruption due diligence that includes, at a minimum:

- An initial internal risk assessment;
- An external due diligence report (for service providers); and
- A due diligence questionnaire.

Based on the findings of the external due diligence report and due diligence questionnaire, third parties may require additional due diligence, as may be determined on a case-by-case basis by the Corporate Chief Legal Officer (“CLO”) or the Corporate Chief Compliance Officer (“CCO”). Such additional due diligence measures include requesting further documentation or information concerning compliance issues, conducting interviews with relevant personnel and engaging external parties to perform deeper background checks. Factors that may trigger such additional due diligence measures include any red flags that may be discovered during the due diligence process, the nature of the third parties’ role in the intended transaction, the nature of the transaction for which the third party will be working with the Company and any lack of clarity or unwillingness by the third party to comply with the due diligence process.

5.Dedicated Questionnaires and Checklists

For each of: (i) service providers, (ii) potential teaming/joint ventures partners and (iii) M&A targets, the due diligence process will include use of dedicated questionnaires and checklists as appearing in Annexes A, B and C

hereto. The relevant Annex may be incorporated into contracts with a service provider, teaming/joint venture party or M&A target as appropriate.

6. Red Flags

Red flags are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. Red flags are not proof of wrongdoing, and, in most cases, they do not automatically disqualify a third party. But because they present a heightened risk that the third party is or has been engaged in corrupt conduct, the Company will, in all cases, conduct further due diligence to understand the circumstances underlying the red flag. The result of this due diligence may be to “lower” the red flag, i.e., to determine that there is a valid and legitimate explanation that contradicts any suggestion of corruption, or, to the contrary, raise the flag higher to the point where the third party is, in fact, disqualified, i.e., to determine that the third party has likely engaged in corruption and would be likely to engage in such corruption on the Company’s behalf. In many cases, however, it will be somewhere in between, requiring us to closely analyze the known and suspected facts and to exercise judgment and discretion in determining whether to proceed with the third party. For that reason, when the due diligence process reveals the existence of red flags, the Corporate Legal Department must

[p.3] be involved in evaluating the red flags, and either the CCO or the CLO must approve the resolution of the red flag issue as well as entering into the engagement.

Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

- The country in which the third party is active or a resident or incorporated does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a “high risk country”).
- The identity, background, reputation or commercial history of the prospective third party is unknown to the Company.
- The third party has been directed to the Company by a customer or end user from a high risk country.
- The Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement.
- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.
- The third party uses suspicious accounting and financial techniques, including shell companies, payments to third-country banks, suspicious or deceptive invoices, payments in cash or cash equivalents.
- The third party lacks sufficient experience to perform the activities for which it was engaged or has offered to perform.
- The third party was referred to the Company by a customer or a government or public official.
- Circumstances exist which give rise to a reasonable (though unproven) suspicion that the third party lacks integrity, is not acting honestly or in good faith or that, by way of association with the third party, the Company’s reputation would be detrimentally affected.

7. Conclusion of Due Diligence

To conclude due diligence, the Company functions performing the due diligence will prepare a Due Diligence Summary, including the information collected and verified during the due diligence process. The Due Diligence Summary must include:

- Red flags identified (from external due diligence report, questionnaire or otherwise); and
- Any proposed mitigating measures that could be taken.

[p.4] 8. Records

To demonstrate the Company’s commitment to taking reasonable steps to prevent affiliation with corrupt activities or corrupt actors, the Company will collect and keep documentation related to the due diligence process. The relevant documents should at a minimum include:

- Completed due diligence questionnaire, including any supporting documentation;
- External due diligence report (if applicable);
- Results of the risk-based due diligence activities;
- Summary of due diligence findings; and

- Any other relevant documentation related to the acquisition, teaming/joint venture or service provider. Such records shall be maintained for five (5) years after the close of due diligence or for as long as the applicable agreement is in effect or the applicable joint venture exists.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture relationships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
1
Comments
<p>There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures, by requiring the adoption of its own anti-bribery and corruption programme for all controlling joint ventures and by requiring a similar policy for other joint venture partnerships. These policies prohibit bribery and facilitation payments. There is evidence to indicate that the company requires anti-bribery and corruption clauses in its contracts with joint venture partners.</p> <p>However, the company receives a score of '1' because it is not clear from publicly available information that its contracts with joint venture partners include clear audit and termination rights to detect, control and prevent breaches.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.2] 1.1 Purpose The purpose of this Policy is to assist employees, officers and directors throughout the Company, and all of our business partners, in identifying anti-bribery and corruption related issues and in understanding and complying with applicable anti-bribery and anti-corruption standards. This Policy is to be read in conjunction with the entirety of our anti-corruption compliance program policies and procedures. These policies and procedures include the Ethics Code, this Policy and the following supporting policies/procedures:</p> <ul style="list-style-type: none"> • Business Entertainment and Gifts Policy; • Procedure on Anti-Bribery and Corruption Due Diligence; • Whistleblower and Investigations Procedure; and • Supplier Code of Conduct. <p>1.5 Commitment to Best Practices We are committed to conducting our business with integrity and based upon ethical best practices and principles, including anti-bribery and anti-corruption compliance standards.</p> <p>1.6 Zero Tolerance The Company has zero tolerance for bribery and corruption. In addition to the need to follow the law, our rejection of bribery has important business benefits, including maintaining our corporate reputation and retaining the confidence of customers and third parties with whom we do business.</p> <p>1.7 Public and Private Sectors The prohibitions against bribery and corrupt conduct apply regardless of whether it takes place in the public sector or in the private sector. Bribery is illegal in both contexts. You must not engage in bribery (either giving or receiving things of value to gain an improper business advantage) in connection with any of the Company's dealings or activities involving private or public companies, organizations or individuals. Particular care should be taken in dealings or activities involving Government or Public Officials (as defined below), but it is just as important to remember that private entities and individuals may also be the subject of bribery.</p> <p>[p.4] 2.Applicability 2.1 Company-Wide The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy).

2.2 Third Parties

In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.

[p.6] 4.1 We Commit to the Following:

[...]

- We will conduct reasonable anti-corruption due diligence in connection with acquisitions, the formation of joint ventures and the engagement of third parties. We will not proceed with any transaction or engagement until any concerns or issues relating to corruption have been fully and satisfactorily addressed.

[...]

4.2 We Must Never:

- Make facilitation payments. Such payments are considered a form of corruption and are prohibited under the local laws of most countries and by the OECD Convention and the United Nations Convention Against Corruption. We must never offer a facilitation payment.
- Engage in corrupt activities or activities that could reasonably give the appearance of corruption. We attempt to avoid situations creating the appearance of impropriety, including with respect to business entertainment, gifts, conflicts of interest, hiring and donations.
- Engage in bribery. Company employees (including temporary and contract employees), officers and directors are prohibited from engaging, directly or indirectly, in bribery

[p.7] • Allow third parties, including service providers, agents, consultants, brokers or distributors, to engage in bribery or corruption on our behalf.

- Do business with other parties who are engaged in bribery or corruption.
- Take retaliatory action towards employees who, in good faith, report suspected violations of the Ethics Code or this Policy. Allegations made in bad faith, however, will not be tolerated.

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no publicly available evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures, for example by providing training to employees of joint ventures or implementing a policy to second senior individuals to the partner company's management board.
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf [p.4] 2.Applicability</p> <p>2.1 Company-Wide The principles of this Policy apply Company-wide, including:</p> <ul style="list-style-type: none"> • Elbit Systems Ltd. and our major business divisions in Israel; • wholly-owned subsidiaries (entities outside Israel may adapt this Policy to reflect local requirements); and • joint ventures in which we own a controlling interest (companies and partnerships in which we own a non-controlling interest will be required to adopt an anti-bribery and corruption policy consistent with this Policy). <p>2.2 Third Parties In addition, the Company will require, through contractual clauses, due diligence and training, that third parties who act on our behalf, including service providers, consultants, distributors, contractors, agents, representatives and suppliers, similarly abide by this Policy.</p>

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
There is no publicly available evidence that the company addresses the specific corruption risks associated with offset contracting, nor is there evidence that a dedicated body, department or team is responsible for monitoring the company's offset activities.
Evidence
No evidence found.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
0
Comments
There is no publicly available evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations.
Evidence
No evidence found.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of its offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
<p>The company publishes some high-level information on its offset projects to indicate the total value of its outstanding offset obligations. However, it is not clear from publicly available information that the company publishes any further information on the beneficiaries of these projects nor is it clear whether this figure includes both direct and indirect obligations for all jurisdictions in which the company operates.</p>
Evidence
<p>[11] Form 20-F 2019 Annual Report (Document) Accessed 03/06/2020 http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a</p> <p>[p.13] We are subject to buy-back obligations. A number of our international programs require us to meet “buy-back” obligations. See Item 5. Operating and Financial Review and Prospects – Off Balance Sheet Transactions. If we, or the local companies we contract with, become unable to meet such obligations, we may be subject to contractual penalties, and our chances of receiving further business from the applicable customers could be impaired.</p> <p>[p.26] Buy-Back</p> <p>As part of their standard contractual requirements for defense programs, several of our customers include “buy-back” or “offset” provisions. These provisions are typically obligations to make, or to facilitate third parties to make, various specified transactions in the customer’s country, such as procurement of defense and commercial products, investment in the local economy and transfer of know-how. For further information about buy-back obligations, see Item 5. Operating and Financial Review and Prospects – Off-Balance Sheet Transactions.</p> <p>[p.51] Off-Balance Sheet Transactions</p> <p>Buy-Back</p> <p>In connection with projects in certain countries, Elbit Systems and some of our subsidiaries have entered and may enter in the future into “buy-back” or “offset” or industrial participation agreements, required by a number of our customers as a condition to our obtaining orders for our products and services. These agreements are customary in our industry and are designed to facilitate economic flow back (buy-back) and/or technology transfer to businesses or government agencies in the applicable country.</p> <p>These commitments may be satisfied by our placement of direct work or vendor orders for supplies and/or services, transfer of technology, investments or other forms of assistance in the applicable country. We attempt to leverage economies of scale by managing our buy-back activities from an overall corporate perspective. The buy-back rules and regulations, as well as the underlying contracts, may differ from one country to another. The ability to fulfill the buy-back obligations may depend, among other things, on the availability of local suppliers with sufficient capability to meet our requirements and which are competitive in cost, quality and schedule. In certain cases, our commitments may also be satisfied through transactions conducted by other parties, including but not limited to our suppliers, or through “swap” transaction among various countries’ buy-back authorities.</p> <p>We do not commit to buy-back agreements until orders for our products or services are definitive, but in some cases the orders for our products or services may become effective only after our corresponding buy-back commitments become effective. Buy-back programs generally extend at least over the relevant commercial contract period and may provide for penalties in the event we fail to perform in accordance with buy-back requirements. In some cases we provide guarantees in connection with the performance of our buy-back obligations.</p> <p>Should we be unable to meet such obligations we may be subject to contractual penalties, our guarantees may be drawn upon and our chances of receiving additional business from the applicable customers could be reduced or, in certain cases, eliminated. See Item 3. Risk Factors – General Risks Related to Our Business and Market.</p>

At December 31, 2019, we had outstanding buy-back obligations totaling approximately \$1.35 billion that extend through 2028.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company acknowledges the corruption risks associated with operating in different markets. There is some evidence that the company has mechanisms to assist in identifying such risks and that it has a management system in place which involves reporting red flags to the Legal Department or CCO.</p> <p>However, the company receives a score of '1' because it is not clear from publicly available information that the results of risk assessments have a direct impact on business decisions and are used to inform the development and implementation of additional controls.</p>
Evidence
<p>[1] Anti-Bribery and Corruption Compliance Policy (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf</p> <p>[p.7] 6.1 Obtaining Guidance You are expected to be familiar with this Policy. If you are uncertain about whether a particular activity is improper, employees are encouraged to ask questions about this Policy and other compliance related issues. You should always feel free to direct any questions to your direct manager, the legal and compliance departments or the CCO.</p> <p>[p.9] 11.3 Examples The following are examples that may suggest potential breaches of this Policy or represent common areas of corruption compliance risks. If you become aware or suspicious of any Red Flags, including the following circumstances, you must immediately raise the issue with the Legal Department or the CCO. Please note that the following list of Red Flags is not exhaustive.</p> <p>[p.11] d. Geographic Risks: The country in which the activity is to take place or where the third party is active or resident does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a "high risk country").</p> <p>[6] Company-wide procedure on anti-bribery and corruption due diligence (Document) Accessed 06/10/2019 https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf</p> <p>[p.3] Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below. Red flags (Illustrative examples):</p> <ul style="list-style-type: none"> • The country in which the third party is active or a resident or incorporated does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a "high risk country"). • The identity, background, reputation or commercial history of the prospective third party is unknown to the Company. • The third party has been directed to the Company by a customer or end user from a high risk country. <p>[11] Form 20-F 2019 Annual Report (Document) Accessed 03/06/2020</p>

<http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a>

[p.5] We face risks in our international operations. We derive a significant portion of our revenues from international sales. Entry into new markets as well as changes in international, political, economic or geographic conditions could cause significant reductions in our revenues, which could harm our business, financial condition and results of operations. In addition to the other risks from international operations set forth elsewhere in these Risk Factors, some of the risks of doing business internationally include international trade sanctions, imposition of tariffs and other trade barriers and restrictions. Imposition of import restrictions or tariffs by any government could lead to retaliatory actions by other countries with broad effects in many industries and economies internationally. Broad-based international trade conflicts could have negative consequences on the demand for our products and services outside Israel. Other risks of doing business internationally include political and economic instability in the countries of our customers and suppliers, changes in diplomatic and trade relationships and increasing instances of terrorism worldwide. Some of these risks may be affected by Israel's overall political situation.

[8] Annual Report 2018 (Document)

Accessed 06/10/2019

<http://ir.elbitsystems.com/static-files/12d4849c-5bf0-461b-ba3b-693e399b959c>

[p.5] We are subject to government procurement and anti-bribery rules and regulations. We are required to comply with government contracting rules and regulations relating to, among other things, cost accounting, sales of various types of munitions, anti-bribery and procurement integrity, which increase our performance and compliance costs. (See Item 4. Information on the Company – Governmental Regulation.) Failure to comply with these rules and regulations could result in the modification, termination or reduction of the value of our contracts, the assessment of penalties and fines against us, or our suspension or debarment from government contracting or subcontracting for a period of time, all of which could negatively impact our results of operations and financial condition. We are engaged in activities in certain markets considered to be high risk from an anti-bribery compliance perspective, and investigations by government agencies in a number of countries, including Israel and the U.S., in the anti-bribery area are increasingly prevalent.

We face other risks in our international operations. We derive a significant portion of our revenues from international sales. Entry into new markets as well as changes in international, political, economic or geographic conditions could cause significant reductions in our revenues, which could harm our business, financial condition and results of operations. In addition to the other risks from international operations set forth elsewhere in these Risk Factors, some of the risks of doing business internationally include international trade sanctions, imposition of tariffs and other trade barriers and restrictions. Imposition of import restrictions or tariffs by any government could lead to retaliatory actions by other countries with broad effects in many industries and economies internationally. Broad-based international trade conflicts could have negative consequences on the demand for our products and services outside Israel. Other risks of doing business internationally include political and economic instability in the countries of our customers and suppliers, changes in diplomatic and trade relationships and increasing instances of terrorism worldwide. Some of these risks may be affected by Israel's overall political situation. (See "Risks Related to Our Israeli Operations" below.)

[p.21] Anti-Bribery Regulations. We conduct operations in a number of markets that are considered high risk from an anti-bribery/anti-corruption compliance perspective. Laws and regulations such as the Israel Penal Code, the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and corresponding legislation in other countries, prohibit providing personal benefits or bribes to government officials in connection with the governmental procurement process. Israeli defense exporters, such as Elbit Systems, are required to maintain an anti-bribery compliance program, including specific procedures, record keeping and training.

Question
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?
Score
1
Comments
<p>There is evidence that the company publishes a list of its major subsidiaries on an annual basis. However, the company receives a score of '1' because this list does not include public details of the percentage ownership, country of incorporation and country or countries of operation for each entity. It is also not clear that this list includes all of the company's fully and non-fully consolidated holdings including all associates, joint ventures and other related entities.</p>
Evidence
<p>[8] Annual Report 2018 (Document) Accessed 06/10/2019 http://ir.elbitsystems.com/static-files/12d4849c-5bf0-461b-ba3b-693e399b959c [p.15] Subsidiary Organizational Structure</p> <p>Our beneficial ownership interest in our major subsidiaries and investees is set forth in Exhibit 8 to this annual report. Our equity and voting interests in these entities are the same as our beneficial ownership interests. Below is a general description of our major subsidiaries, each of which is wholly-owned. We also have other smaller subsidiaries and investee companies in Israel, Europe, North America, South America and Asia-Pacific that conduct marketing, engineering, manufacturing, logistic support and other activities, principally in the subsidiary's local market.</p> <p>Elbit Systems of America Elbit Systems of America, LLC (Elbit Systems of America), a Delaware limited liability company, and its subsidiaries provide products and systems solutions focusing on U.S. military, homeland security, medical instrumentation and commercial aviation customers. Elbit Systems of America and its subsidiaries have operational facilities in Fort Worth, Texas, San Antonio, Texas, Merrimack, New Hampshire, Talladega, Alabama and Boca Raton, Florida. Elbit Systems of America also has a 50% interest in a joint venture with Collins Aerospace, a unit of United Technologies Corp., which is engaged in the area of helmet mounted display systems for fixed-wing military and para-military aircraft.</p> <p>Elbit Systems of America acts as a contractor for U.S. Foreign Military Financing (FMF) and Foreign Military Sales (FMS) programs. (See below "Governmental Regulations – Foreign Military Financing.") Each of Elbit Systems of America's major operational facilities has engineering and manufacturing capabilities. Elbit Systems of America's facilities in Alabama and Texas have significant maintenance and repair capabilities. (See below "Manufacturing" and "Customer Satisfaction and Quality Assurance.")</p> <p>Elbit Systems of America, Elbit Systems and intermediate Delaware holding company subsidiaries are parties to a Special Security Agreement (SSA) with the DoD. The SSA provides the framework for controls and procedures to protect classified information, controlled unclassified information and export controlled data. The SSA allows the Elbit Systems of America companies to participate in classified U.S. government programs even though, due to their ownership by Elbit Systems, the Elbit Systems of America companies are considered to be under the control of a non-U.S. interest. Under the SSA, a Government Security Committee of Elbit Systems of America's board of directors was permanently established to supervise and monitor compliance with Elbit Systems of America's export control and national security requirements. The SSA also requires Elbit Systems of America's board of directors to include outside directors who have no other affiliation with the Company. Elbit Systems of America's board of directors also includes an officer of Elbit Systems of America and up to two inside directors, who have other affiliations with the Company. The SSA requires outside directors and officers of the Elbit Systems of America companies who are directors, and certain other senior officers, to be U.S. resident citizens and eligible for DoD personnel security clearances.</p> <p>Elop. Based in Rehovot, Israel, Elbit Systems Electro-Optics Elop Ltd. (Elop) designs, engineers, manufactures and supports a wide range of electro-optic systems and products mainly for defense, space and homeland security applications for customers worldwide.</p>

ESLC. Headquartered in Netanya, Israel, Elbit Systems Land and C4I Ltd. (ESLC) is engaged in the worldwide market for land-based systems and products for armored and other military vehicles, artillery and mortar systems, C4ISR systems, cyber intelligence solutions, homeland security solutions, data links and radio communication systems and equipment.

Elisra. Based in Holon, Israel, Elbit Systems EW and SIGINT – Elisra Ltd. (Elisra) provides a wide range of electronic warfare (EW) systems, signal intelligence (SIGINT) systems and C4ISR technological solutions for the worldwide market.

IMI. Based in Ramat HaSharon, Israel, IMI Systems Ltd. (IMI) is engaged in the design and manufacture of a wide range of precision munitions and armored vehicle survivability and protection systems for defense and homeland security applications.

[10] Major Subsidiaries (Webpage)

Accessed 06/10/2019

<https://elbitsystems.com/major-subsidaries/>

Subsidiary Organizational Structure

Our beneficial ownership interest in our major subsidiaries and investees is set forth in Exhibit 8 to this annual report. Our equity and voting interests in these entities are the same as our beneficial ownership interests.

Below is a general description of our major subsidiaries, each of which is wholly-owned. We also have other smaller subsidiaries and investee companies in Israel, Europe, North America, South America and Asia-Pacific that conduct marketing, engineering, manufacturing, logistic support and other activities, principally in the subsidiary's local market.

Elbit Systems of America

Elbit Systems of America, LLC (Elbit Systems of America), a Delaware limited liability company, and its subsidiaries provide products and systems solutions focusing on U.S. military, homeland security, medical instrumentation and commercial aviation customers. Elbit Systems of America and its subsidiaries have operational facilities in Fort Worth, Texas, San Antonio, Texas, Merrimack, New Hampshire, Talladega, Alabama and Boca Raton, Florida. Elbit Systems of America also has a 50% interest in a joint venture with Rockwell Collins Inc., which is engaged in the area of helmet mounted display systems for fixed-wing military and para-military aircraft.

Elbit Systems of America acts as a contractor for U.S. Foreign Military Financing (FMF) and Foreign Military Sales (FMS) programs. (See below "Governmental Regulations – Foreign Military Financing.") Each of Elbit Systems of America's major operational facilities has engineering and manufacturing capabilities. Elbit Systems of America's facilities in Alabama and Texas have significant maintenance and repair capabilities. (See below "Manufacturing" and "Customer Satisfaction and Quality Assurance.")

Elbit Systems of America, Elbit Systems and intermediate Delaware holding company subsidiaries are parties to a Special Security Agreement (SSA) with the DoD. The SSA provides the framework for controls and procedures to protect classified information, controlled unclassified information and export controlled data. The SSA allows the Elbit Systems of America companies to participate in classified U.S. government programs even though, due to their ownership by Elbit Systems, the Elbit Systems of America companies are considered to be under the control of a non-U.S. interest. Under the SSA, a Government Security Committee of Elbit Systems of America's board of directors was permanently established to supervise and monitor compliance with Elbit Systems of America's export control and national security requirements. The SSA also requires Elbit Systems of America's board of directors to include outside directors who have no other affiliation with the Company. Elbit Systems of America's board of directors also includes an officer of Elbit Systems of America and up to two inside directors, who have other affiliations with the Company. The SSA requires outside directors and officers of the Elbit Systems of America companies who are directors, and certain other senior officers, to be U.S. resident citizens and eligible for DoD personal security clearances.

Elop. Based in Rehovot, Israel, Elbit Systems Electro-Optics Elop Ltd. (Elop) designs, engineers, manufactures and supports a wide range of electro-optic systems and products mainly for defense, space and homeland security applications for customers worldwide.

ESLC. Headquartered in Netanya, Israel, Elbit Systems Land and C4I Ltd. (ESLC) is engaged in the worldwide market for land-based systems and products for armored and other military vehicles, artillery and mortar systems, C4I systems, cyber intelligence solutions, data links, radios and communications systems and equipment.

Elisra. Based in Holon, Israel, Elbit Systems EW and SIGINT – Elisra Ltd. (Elisra) provides a wide range of electronic warfare (EW) systems, signal intelligence (SIGINT) systems and C4ISR technological solutions for the worldwide market.

Question										
9.3 Does the company disclose its beneficial ownership and control structure?										
Score										
2										
Comments										
There is evidence that the company is publicly traded on the Tel Aviv Stock Exchange. Based on the scoring criteria, the company is not required to provide further details of its beneficial ownership to receive a score of '2'.										
Evidence										
<p>[9] Financial Times Markets Data Accessed 06/10/2019 https://markets.ft.com/data/equities/tearsheet/summary?s=ESLT:TLV</p> <div><div>Elbit Systems Ltd</div><div>ESLT:TLV</div><div>Industrials > Aerospace & Defense</div><table><tr><td>PRICE (ILA)</td><td>TODAY'S CHANGE</td><td>SHARES TRADED</td><td>1 YEAR CHANGE</td><td>BETA</td></tr><tr><td>57,450.00</td><td>↓ -30.00 / -0.05%</td><td>67.16k</td><td>↑ 29.25%</td><td>0.8146</td></tr></table><div>Data delayed at least 20 minutes, as of Oct 10 2019 15:24 BST.</div></div>	PRICE (ILA)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA	57,450.00	↓ -30.00 / -0.05%	67.16k	↑ 29.25%	0.8146
PRICE (ILA)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA						
57,450.00	↓ -30.00 / -0.05%	67.16k	↑ 29.25%	0.8146						

Question**9.4 Does the company publish a percentage breakdown of its defence sales by customer?****Score****0****Comments**

There is evidence that the company publishes some information about its sales by customer. The company indicates that, for its most recently reported financial year, Israel accounted for 20.1% of its sales and it provides further information on the rest of its sales in the form of percentages per geographic region.

However, the company receives a score of '0' because it does not publish information about its customers for more than 50% of its sales and there is no evidence that it distinguishes between defence and non-defence sales or revenue.

Evidence**[8] Annual Report 2018 (Document)**

Accessed 06/10/2019

<http://ir.elbitsystems.com/static-files/12d4849c-5bf0-461b-ba3b-693e399b959c>

[p.38]

The following table sets forth our distribution of revenues by geographical regions:

	Year ended December 31,			
	2018		2017	
	\$ millions	%	\$ millions	%
Israel	740.2	20.1	741.9	22.0
North America	979.2	26.6	827.6	24.5
Europe	737.1	20.0	764.0	22.6
Asia-Pacific	791.8	21.5	670.5	19.8
Latin America	192.4	5.2	193.4	5.7
Other	243.0	6.6	180.4	5.4
Total	3,683.7	100.0	3,377.8	100.0

[p.F-79]

Note 23 - MAJOR CUSTOMER AND GEOGRAPHIC INFORMATION

The Company operates in one reportable segment (see Note 1 for a brief description of the Company's business).

- A. REVENUES ARE ATTRIBUTED TO GEOGRAPHIC AREAS BASED ON LOCATION OF THE END CUSTOMERS AS FOLLOWS:

	Year ended December 31,		
	2018	2017	2016
North America	\$ 979,165	\$ 827,608	\$ 825,665
Asia-Pacific	791,821	670,490	801,639
Israel	740,232	741,873	709,562
Europe	737,051	763,963	640,763
Latin America	192,406	193,369	212,773
Other	243,009	180,522	69,817
	<u>\$ 3,683,684</u>	<u>\$ 3,377,825</u>	<u>\$ 3,260,219</u>

[...]

- C. MAJOR CUSTOMER DATA AS A PERCENTAGE OF TOTAL REVENUES:

	Year ended December 31,		
	2018	2017	2016
IMOD	13%	19%	18%

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Anti-Bribery and Corruption Compliance Policy	06/10/2019	https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-CORRUPTION-COMPLIANCE-POLICY_13-March-2019.pdf
02	Document	Code of Business Conduct and Ethics	06/10/2019	https://elbitsystems.com/media/Elbit-Systems_Code_of_Business_Conduct_and_Ethics-10-March-2019.pdf
03	Webpage	Management	06/10/2019	http://ir.elbitsystems.com/corporate-governance/management
04	Document	Company-wide whistle-blower and investigations procedure	06/10/2019	https://elbitsystems.com/media/Elbit-Systems-Whistleblower-andInvestigations-Procedure-3-March-2019-2-1.pdf
05	Document	Company-wide business entertainment and gifts policy	06/10/2019	https://elbitsystems.com/media/Elbit-Systems_Business_Entertainment_and_Gifts_Policy_7-Mar-2019.pdf
06	Document	Company-wide procedure on anti-bribery and corruption due diligence	06/10/2019	https://elbitsystems.com/media/Elbit-Systems_ANTI-BRIBERY-AND-CORRUPTION-DUE-DILIGENCE_13-March-2019.pdf
07	Document	Supplier Code of Conduct	06/10/2019	https://elbitsystems.com/media/Elbit-Systems_SUPPLIER_CODE_OF_CONDUCT_6-March-2019.pdf
08	Document	Annual Report 2018	06/10/2019	http://ir.elbitsystems.com/static-files/12d4849c-5bf0-461b-ba3b-693e399b959c
09	Webpage	Financial Times Markets Data	06/10/2019	https://markets.ft.com/data/equities/tearsheet/summary?s=ESLT:TLV
10	Webpage	Major Subsidiaries	06/10/2019	https://elbitsystems.com/major-subsidiaries/
11	Document	Form 20-F 2019 Annual Report	03/06/2020	http://ir.elbitsystems.com/static-files/ef38f23c-2862-4eb7-a9b2-528a999fcf6a
12	Webpage	OpenSecrets Elbit PAC Summary	21/10/2020	https://www.opensecrets.org/pacs/lookup2.php?strID=C00437566
13	Document	Elbit Systems Sustainability Report 2017-2018	02/02/2021	https://elbitsystems.com/pdf-report/#p=4