

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

FINAL ASSESSMENT

RAFAEL ADVANCED DEFENSE 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	7/8
2. Internal Controls	6	9/12
3. Support to Employees	7	6/14
4. Conflict of Interest	4	4/8
5. Customer Engagement	6	4/12
6. Supply Chain Management	5	3/10
7. Agents, Intermediaries and Joint Ventures	10	15/20
8. Offsets	4	3/8
9. High Risk Markets	4	3/8
10. State-Owned Enterprises	5	2/10
TOTAL		56 / 110
BAND		C

*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
<p>There is evidence that the company publishes a clear statement on its anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. There is evidence that this commitment was authorised and endorsed by the company's leadership.</p>
Evidence
<p>[3] Corporate Policies (Website) Accessed 25/04/2020 https://www.rafael.co.il/corporate-policies/ Anti-Corruption Compliance Program:</p> <p>Rafael maintains a comprehensive and robust Compliance Program which prohibits Rafael, its officers, directors, employees, subsidiaries, affiliates, and business partners from conducting business in a corrupt manner, including directly or indirectly giving, promising, offering, or authorizing any third party to offer anything of value to a local or foreign government official in an attempt to make an improper influence.</p> <p>This basic prohibition applies to all Rafael's activities worldwide. It is mandatory and captures the legal requirements of Israel and the international standards, as presented in the OECD Anti-Bribery Convention and relevant foreign laws.</p> <p>In order to ensure Rafael's compliance with the provisions of the Policy, Rafael implements and operates monitoring mechanisms and controls. In addition, and where applicable, audits take place.</p> <p>Rafael and anyone acting on its behalf must maintain books, records, and accounts that accurately and fairly reflect all transactions and dispositions of Rafael's assets.</p> <p>[...]</p> <p>Strict adherence to Rafael's Ethical Code and programs will strengthen our identity and the sense of pride and belonging in Rafael, and is important as achieving a competitive advantage. Rafael expects its employees and third parties to report any actual or potential violations to the Ethical Code as described in the Anti-Corruption Policy. Rafael prohibits retaliation against anyone, including employees, third parties, and joint venture partners, who in good faith makes such a report or refuses to act in a manner that person believes will violate the Ethical Code (employees are expected to report such requests). Observation of Rafael's Ethical Code contributes to Rafael's continuous business success in a challenging competitive environment, while maintaining our reputation.</p> <p>Maj. Gen (Ret.) Yoav Har-Even President & CEO</p> <p>[2] Rafael's Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf We are proud to present RAFAEL's updated Ethical Code, which was devised as part of "The Way of Values" program – a program formulating the values and ethics of the company.</p> <p>RAFAEL's vision is to be a significant part of Israel's security; to be a global, innovative, growing and profitable company, which develops, produces and supports combat systems on the front lines of operational needs and technology.</p>

The Ethical Code serves as a declaration of the way in which we strive to realize our vision and the way RAFAEL will continue to succeed in an ethical and moral manner. RAFAEL, as a leading defense company, requires that its managers and employees choose a moral code of action that matches the core values that guide us: to contribute to the resilience of the State of Israel, to choose excellence and professionalism as a way of life, to strive towards daring, creativity and innovation, and to support our employees and customers at all times.

The Ethical Code is intended to serve as a moral compass for appropriate behavior for employees and managers in all units and at all levels, and as a tool in decision-making and choosing what is good and right, when encountering dilemmas in our daily activities. The Code defines our expectations of ourselves – managers and employees alike – and the behavior that we all adopt and aspire to carry out between ourselves and towards our customers, suppliers, and other stakeholders.

We believe that an inspiring organizational culture, which encourages managers and employees to engage in value-driven behavior at the highest level, is a vital and essential component for an organization's success. RAFAEL's strength is built on business successes, technological capabilities, our reputation as a company for which business and human ethics and integrity are a guiding light, and on the confidence that our customers have in us, our employees and our business partners. RAFAEL's Board of Directors and Executives are committed to act in light of the Ethical Code, to implement the values and ethics, to strive for business and technological excellence and to meet objectives.

Yoav Har-Even
CEO of Rafael

Dr. Uzi Landau
Chairman of the Board of Directors

Question
<p>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</p> <p>a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.</p>
Score
2
Comments
<p>There is evidence that the company publishes a clear anti-bribery and corruption policy, which specifically defines and prohibits bribery, payments to public officials, commercial bribery, and facilitation payments. There is evidence that this policy applies to all employees and directors.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.3] Introduction</p> <p>Rafael Advanced Defense Systems Ltd., as well as its respective affiliates and related entities (collectively, "Rafael" and/or the "Company"), believe in conducting business ethically, honestly, and with integrity. It has been and continues to be the policy of the Company to conduct its operations and activities in compliance with Israeli anticorruption laws and the OECD Anti-Bribery Convention, as well as the applicable anticorruption laws of other countries.</p> <p>The Company is committed to conducting business ethically and honestly, and expects its directors, officers, employees, and agents to help ensure that this Company Policy on Compliance with Israeli Anti-Corruption Laws, the OECD Anti-Bribery Convention, and the International Anti-Corruption Laws (the "Policy") is being followed. The consequences of failing to comply with this Policy and applicable laws are potentially severe for the Company and its employees. Violation of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, and other applicable anti-corruption laws can result in substantial fines against the Company and can subject employees and the Company to prosecution, criminal fines, and imprisonment. Therefore, Rafael has zero tolerance for any deviations from this Policy. In addition, employees violating Company Policy are subject to disciplinary action, including possible termination of employment.</p> <p>Statement of Policy</p> <p>The Company's officers, directors, employees, subsidiaries, affiliates, and agents are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind. A Government Official includes any officer or employee of any national, regional, local, or other government, or any department or agency of such government, or any officer or employee of a government-owned or controlled company or enterprise. Government Official also includes any political party, political party official, or candidate for political office. This prohibition applies to Rafael's activities worldwide.</p> <p>Furthermore, every officer, director, employee, subsidiary, affiliate, and agent of the Company is obligated by this and other Company policies to keep books, records, and accounts that accurately and fairly reflect all transactions and dispositions of Company assets.</p> <p>Any individual or entity subject to this Policy who has reason to believe that a violation of Company policy or applicable law may have occurred is required to report the activity to the Company's General Counsel immediately. The General Counsel shall notify the Company's Compliance Officer. The Company will ensure that no retributive action</p> <p>[p.4] is taken against anyone making such a report in good faith because of such reporting. Reports may be submitted anonymously. Information regarding how to submit a report is provided in section 5 below.</p>

[p.6] A. Israeli Anti-Corruption Laws
i. Anti-Bribery Provisions

The Israeli Penal Law prohibits corrupt payments, offers or promises of money, valuable consideration, a service or any other benefit, to influence any act or decision (including a decision not to act) of a foreign government official to induce the official to use his or her influence to affect a government act (or failure to act) or decision, in order to obtain, to assure or to promote business activity or other advantage in relation to business activity.

[...]

The Israeli Penal Law also prohibits offering, promising or giving “money, valuable consideration, a service or any other benefit” to foreign government officials. The term “any other benefit” has been broadly interpreted in Israeli case law as including non-

[p.7] pecuniary advantages such as sexual favors, or appointments to a public position. In addition, Israel has chosen not to introduce an exception of small facilitation payments.

Israeli Penal Law clarifies that an offence of bribery is committed where a bribe is given “personally by the person who gives it or through another person”. It further provides that a person who gives money to an intermediary shall be treated as a person giving a bribe. Israeli authorities advise that the offence of bribery through an intermediary does not depend upon the state of mind or knowledge of the intermediary. Thus, for example, the foreign bribery offence would be complete where a bribe is given through an intermediary even if the intermediary does not know that the money (or other advantage) is a bribe but simply transfers it to the foreign public official.

[p.9] B. The OECD Anti-Bribery Convention

In 1997, the Organization for Economic Cooperation and Development (“OECD”) adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (“OECD Anti-Bribery Convention”). The OECD Anti-Bribery Convention requires signatory countries to adopt national legislation criminalizing bribery of foreign public officials in international business transactions. The OECD Convention also requires signatory countries to assert jurisdiction as broadly as possible in cases involving bribery of foreign public officials. Signatory countries also must hold corporations (not just individuals) liable for foreign bribery. Furthermore, countries must cooperate with one another in the prosecution of international bribery cases and cannot invoke “bank secrecy” laws to deny mutual legal assistance.

Israel became a signatory of the OECD Convention on March 11, 2009.

For more information on the OECD Convention, see <http://www.oecd.org/>.

C. The Anti-Corruption Laws of Other Countries

The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits corrupt payments, offers or promises of money or anything else of value to a foreign government official, directly or indirectly, to improperly influence an official act or decision (including a decision not to act) or to induce the official to use his or her influence to improperly affect a government act (or failure to act) or decision which benefits the company, including but not limited to obtaining or retaining business or directing business to anyone, or securing an improper advantage. Criminal penalties may be imposed for violation of the antibribery provisions of the FCPA, including fines, per violation, of up to US\$2,000,000 for companies and up to US\$100,000 as well as five years’ imprisonment for individuals. Companies may also be required to return all profits resulting from the corrupt transaction, and may be sanctioned by the U.S. government in various other ways.

[2] Rafael’s Ethical Code (Document)

Accessed 24/03/2020

https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf

[p.2] The Ethical Code serves as a declaration of the way in which we strive to realize our vision and the way RAFAEL will continue to succeed in an ethical and moral manner.

RAFAEL, as a leading defense company, requires that its managers and employees choose a moral code of action that matches the core values that guide us: to contribute to the resilience of the State of Israel, to choose excellence and professionalism as a way of life, to strive towards daring, creativity and innovation, and to support our employees and customers at all times.

The Ethical Code is intended to serve as a moral compass for appropriate behavior for employees and managers in all units and at all levels, and as a tool in decision-making and choosing what is good and right, when encountering dilemmas in our daily activities. The Code defines our expectations of ourselves – managers and employees alike – and the behavior that we all adopt and aspire to carry out between ourselves and towards our customers, suppliers, and other stakeholders.

We believe that an inspiring organizational culture, which encourages managers and employees to engage in value-driven behavior at the highest level, is a vital and essential component for an organization's success. RAFAEL's strength is built on business successes, technological capabilities, our reputation as a company for which business and human ethics and integrity are a guiding light, and on the confidence that our customers have in us, our employees and our business partners.

RAFAEL's Board of Directors and Executives are committed to act in light of the Ethical Code, to implement the values and ethics , to strive for business and technological excellence and to meet objectives.

[p.24] We fully adhere to maintaining our ethical standards, company policies, and any other applicable laws and regulatory rules that we are obligated to obey, in Israel and abroad. We are aware of the fact that failure to adhere to the laws that apply in a relevant country exposes RAFAEL and us to risks and to criminal and civil liability.

Among other things, and accordingly, we:

- Refrain from providing money or anything else of value to government officials in Israel and abroad so that they act for our benefit, give us preferential treatment, grant us a competitive advantage or promote RAFAEL's businesses.
- Ensure that we do not allow any third party to do anything on our behalf that, ethically or legally, we would not do. We will refrain from taking actions that are opposed to RAFAEL's values and Ethical Code, even if such actions are likely to advance the company's objectives in the short term.
- Are committed to implementing proper and appropriate rules of corporate governance and the company's compliance programs, including economic competition laws and the prevention of bribery and corruption.
- Work with the authorities that supervise us and with the shareholders openly, transparently, cooperatively and through ongoing dialogue.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
1
Comments
<p>There is evidence that the board oversees the company's anti-bribery and corruption programme. There is evidence that this includes reviewing reports from management on the programme's performance, along with the results of internal audits. However, the company receives a score of '1' because there is no evidence to suggest that the board has the authority to require that changes are made. While there is some indication that the company has an Anti-Corruption Committee, the evidence suggests that this is not a board-level committee.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 23/04/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.4] 3. Corporate Ownership of Policy</p> <p>The Company's commitment to compliance and to conducting business ethically and in full compliance with laws starts at the top of the Company and permeates the entire corporate family.</p> <p>A. Board of Directors and Anti-Corruption Committee</p> <p>The Company's compliance with Israeli anti-corruption laws, the OECD Anti-Bribery Convention, and other related laws is overseen by the Board of Directors. The Board of Directors has delegated implementation and supervision of the Company's compliance program to the Company's Compliance Officer, who in turn has established a committee dedicated to anti-corruption compliance ("Anti-Corruption Committee") consisting of representatives from Internal Audit (as an observer), Finance, Marketing, and the Legal Department. The Anti-Corruption Committee will regularly meet to review, guide, and oversee the implementation of this Policy, the compliance program set forth herein, the related procedures, the results of risk assessments and audits, and any changes in applicable law, regulations, and guidance.</p> <p>B. Compliance Officer and Compliance Department</p> <p>Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.5] On an annual basis, the Compliance Officer will report to the Anti-Corruption Committee on the state of the compliance program and any recommendations to modify the program. The Anti-Corruption Committee will approve any such changes or recommend additional actions. In addition, the CEO of the Company shall annually issue a statement to the employees of the Company regarding the Policy and the activities under the Policy taken during the previous year. This statement shall then be posted on the Company's website.</p> <p>The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations</p>

performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.

At least every three years, the Compliance Officer shall perform a risk assessment of the Company's activities, in relation to Anti-Bribery and Corruption risks. The primary objective of the corruption risk assessment is to better understand the risk exposure so that informed risk management decisions may be made. Such risk assessment shall commence by establishing a process. The assessment shall include at least the following steps: identification of the risks, rating the risks, mapping of existing controls to such risks, calculating the residual risk, and developing a plan of action to address such risks. The results of all such risk assessment shall be documented and presented to the Anti-Corruption Committee for its approval. The Anti-Corruption, Ethics and Compliance Handbook for Business (<http://www.oecd.org/corruption/AntiCorruptionEthicsComplianceHandbook.pdf>) shall serve as a guideline for such risk assessment, and the Compliance Officer will take into account additional currently available guidance from credible international organizations and regulators. The Compliance Officer shall determine on a yearly basis whether a new risk assessment is required and present his determination to the Anti-Corruption Committee.

[p.22] D. Internal Audit Function

The Company's Internal Audit Department is familiar with and shall integrate the anti-corruption components of the Company's compliance program into annual and multiyear audit work plans, which shall be approved by the Board of Directors. The audit plans will address the anti-corruption compliance program as described in relevant policies, procedures, and processes and including Business Partners, the due diligence process, contracting, business courtesies, and other potential risk areas. The Internal Audit Department, with assistance from outside parties having appropriate specialized expertise, will regularly conduct audits to determine the Company's and its Business Partners' (where appropriate) adherence with this Policy and the Company's anti-corruption compliance program. The nature, scope, and extent of the internal audit procedures will be determined by the Internal Auditor after appropriate consideration of the input from the Company's Finance Committee of the Board of Directors, Compliance Officer, the General Counsel, and the Company's executive managers, and the results of risk assessments performed. The internal audit procedures will address awareness of and compliance with the policies contained herein, and audits of the Company's business units, functions, subsidiaries, affiliates, and joint ventures will include anti-corruption compliance.

Internal Audit will document and report the results of each compliance-related audit to relevant management and the Compliance Officer and, as appropriate, to the Board of Directors.

Any potential violations of the Company's anti-corruption program, either brought to the Internal Audit Department's attention or discovered during an audit, will be reviewed appropriately and thoroughly investigated on a timely basis in accordance with the Company's policies and procedures and in coordination with the Legal Department.

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
<p>There is evidence that a designated senior executive – in this case the Compliance Officer – has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. The company indicates that this person has a direct reporting line to the board. There is evidence of reporting and feedback activities between this person and the board as part of the company's reporting structure, both through the CEO and the General Counsel.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.4] 3. Corporate Ownership of Policy</p> <p>The Company's commitment to compliance and to conducting business ethically and in full compliance with laws starts at the top of the Company and permeates the entire corporate family.</p> <p>A. Board of Directors and Anti-Corruption Committee</p> <p>The Company's compliance with Israeli anti-corruption laws, the OECD AntiBribery Convention, and other related laws is overseen by the Board of Directors. The Board of Directors has delegated implementation and supervision of the Company's compliance program to the Company's Compliance Officer, who in turn has established a committee dedicated to anti-corruption compliance ("Anti-Corruption Committee") consisting of representatives from Internal Audit (as an observer), Finance, Marketing, and the Legal Department. The Anti-Corruption Committee will regularly meet to review, guide, and oversee the implementation of this Policy, the compliance program set forth herein, the related procedures, the results of risk assessments and audits, and any changes in applicable law, regulations, and guidance.</p> <p>B. Compliance Officer and Compliance Department</p> <p>Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>The Compliance Officer, in consultation with the General Counsel, is also responsible for developing a comprehensive plan to monitor each aspect of the Company's compliance program, including the activities of subsidiaries, joint ventures, and Business Partners. The plan shall address areas to be monitored, mechanism of monitoring, frequency of monitoring, and to whom the results will be reported. The plan shall include various monitoring mechanisms, including in-person monitoring, that are tailored to the risks presented by the individual, entity, or activity subject to monitoring.</p> <p>On an on-going basis, the Policy and all related procedures shall be reviewed and revised by the Compliance Officer, if necessary, taking into consideration, inter alia, findings of the Internal Auditor, risk assessments, violations of the policy, and other factors ...</p>

[p.5] ... impacting the risk profile of the Company or the effectiveness of this Policy. On an annual basis, the Compliance Officer will report to the Anti-Corruption Committee on the state of the compliance program and any recommendations to modify the program. The Anti-Corruption Committee will approve any such changes or recommend additional actions. In addition, the CEO of the Company shall annually issue a statement to the employees of the Company regarding the Policy and the activities under the Policy taken during the previous year. This statement shall then be posted on the Company's website.

The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.

At least every three years, the Compliance Officer shall perform a risk assessment of the Company's activities, in relation to Anti-Bribery and Corruption risks. The primary objective of the corruption risk assessment is to better understand the risk exposure so that informed risk management decisions may be made. Such risk assessment shall commence by establishing a process. The assessment shall include at least the following steps: identification of the risks, rating the risks, mapping of existing controls to such risks, calculating the residual risk, and developing a plan of action to address such risks. The results of all such risk assessment shall be documented and presented to the Anti-Corruption Committee for its approval. The Anti-Corruption, Ethics and Compliance Handbook for Business (<http://www.oecd.org/corruption/AntiCorruptionEthicsComplianceHandbook.pdf>) shall serve as a guideline for such risk assessment, and the Compliance Officer will take into account additional currently available guidance from credible international organizations and regulators. The Compliance Officer shall determine on a yearly basis whether a new risk assessment is required and present his determination to the Anti-Corruption Committee.

[2] Rafael's Ethical Code (Document)

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Managing RAFAEL's Ethics Program

Mr. Daniel Benshabat, RAFAEL's Chief Compliance Officer and Ethics Supervisor, is responsible for the application, management and implementation of the Ethical Code at RAFAEL.

Alongside the Chief Compliance Officer, RAFAEL has appointed an Ethical Advisory Committee, of which the Chief Compliance Officer, General Counsel, VP of Human Resources and Internal Auditor are members. The Advisory Committee's fields of activity include interpreting the Ethical Code; setting ethics policy at the organization; setting the objectives of the ethics program; discussing ethics implementation programs; discussing individual and annual programs; monitoring the effectiveness of the ethics program; discussing ethics incidents at the organization; and periodically updating the Ethical Code - all subject to privacy protection requirements and company procedures. In addition to the Chief Compliance Officer and the Advisory Committee, Ethics Trustees have been appointed in the various divisions at RAFAEL, whose role is to serve as a local professional authority for consultation on ethics issues, and to promote and implement the ethics program at the local level.

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
2
Comments
<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of the anti-bribery and corruption programme. There is evidence that suggests that the board of directors reviews the company's risk profile – presented by the Chief Compliance Officer – on at least an annual basis. The company states that the Chief Compliance Officer determines on a yearly basis whether a new risk assessment is required, with a full assessment conducted at least every three years. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.4] B. Compliance Officer and Compliance Department</p> <p>Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>The Compliance Officer, in consultation with the General Counsel, is also responsible for developing a comprehensive plan to monitor each aspect of the Company's compliance program, including the activities of subsidiaries, joint ventures, and Business Partners. The plan shall address areas to be monitored, mechanism of monitoring, frequency of monitoring, and to whom the results will be reported. The plan shall include various monitoring mechanisms, including in-person monitoring, that are tailored to the risks presented by the individual, entity, or activity subject to monitoring.</p> <p>On an on-going basis, the Policy and all related procedures shall be reviewed and revised by the Compliance Officer, if necessary, taking into consideration, inter alia, findings of the Internal Auditor, risk assessments, violations of the policy, and other factors ...</p> <p>[p.5] ... impacting the risk profile of the Company or the effectiveness of this Policy. On an annual basis, the Compliance Officer will report to the Anti-Corruption Committee on the state of the compliance program and any recommendations to modify the program. The Anti-Corruption Committee will approve any such changes or recommend additional actions. In addition, the CEO of the Company shall annually issue a statement to the employees of the Company regarding the Policy and the activities under the Policy taken during the previous year. This statement shall then be posted on the Company's website.</p> <p>The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations</p>

performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.

At least every three years, the Compliance Officer shall perform a risk assessment of the Company's activities, in relation to Anti-Bribery and Corruption risks. The primary objective of the corruption risk assessment is to better understand the risk exposure so that informed risk management decisions may be made. Such risk assessment shall commence by establishing a process. The assessment shall include at least the following steps: identification of the risks, rating the risks, mapping of existing controls to such risks, calculating the residual risk, and developing a plan of action to address such risks. The results of all such risk assessment shall be documented and presented to the Anti-Corruption Committee for its approval. The Anti-Corruption, Ethics and Compliance Handbook for Business (<http://www.oecd.org/corruption/AntiCorruptionEthicsComplianceHandbook.pdf>) shall serve as a guideline for such risk assessment, and the Compliance Officer will take into account additional currently available guidance from credible international organizations and regulators. The Compliance Officer shall determine on a yearly basis whether a new risk assessment is required and present his determination to the Anti-Corruption Committee.

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
2
Comments
<p>There is evidence that the company's entire anti-bribery and corruption programme is subject to a regular audit process to ensure the programme is consistent with best practice and the business risks facing the company. This includes provisions for continuous improvement, supplemented by an internal audit conducted on an annual basis. There is also evidence that high-level audit findings are presented to the board, with clear ownership assigned to the Compliance Officer for planned updates and improvements to the anti-bribery and corruption programme.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf <p>[p.4] A. Board of Directors and Anti-Corruption Committee</p> <p>The Company's compliance with Israeli anti-corruption laws, the OECD AntiBribery Convention, and other related laws is overseen by the Board of Directors. The Board of Directors has delegated implementation and supervision of the Company's compliance program to the Company's Compliance Officer, who in turn has established a committee dedicated to anti-corruption compliance ("Anti-Corruption Committee") consisting of representatives from Internal Audit (as an observer), Finance, Marketing, and the Legal Department. The Anti-Corruption Committee will regularly meet to review, guide, and oversee the implementation of this Policy, the compliance program set forth herein, the related procedures, the results of risk assessments and audits, and any changes in applicable law, regulations, and guidance.</p> <p>B. Compliance Officer and Compliance Department</p> <p>Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>The Compliance Officer, in consultation with the General Counsel, is also responsible for developing a comprehensive plan to monitor each aspect of the Company's compliance program, including the activities of subsidiaries, joint ventures, and Business Partners. The plan shall address areas to be monitored, mechanism of monitoring, frequency of monitoring, and to whom the results will be reported. The plan shall include various monitoring mechanisms, including in-person monitoring, that are tailored to the risks presented by the individual, entity, or activity subject to monitoring.</p> <p>On an on-going basis, the Policy and all related procedures shall be reviewed and revised by the Compliance Officer, if necessary, taking into consideration, inter alia, findings of the Internal Auditor, risk assessments, violations of the policy, and other factors</p> <p>[p.5] impacting the risk profile of the Company or the effectiveness of this Policy. On an annual basis, the Compliance Officer will report to the Anti-Corruption Committee on the state of the compliance program and any recommendations to modify the program. The Anti-Corruption Committee will approve any such changes or recommend additional actions. In addition, the CEO of the Company shall annually issue a statement to the employees of the Company regarding the Policy and the activities under the Policy taken during the previous year. This statement shall then be posted on the Company's website.</p> </p>

The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.

[p.22] D. Internal Audit Function

The Company's Internal Audit Department is familiar with and shall integrate the anti-corruption components of the Company's compliance program into annual and multiyear audit work plans, which shall be approved by the Board of Directors. The audit plans will address the anti-corruption compliance program as described in relevant policies, procedures, and processes and including Business Partners, the due diligence process, contracting, business courtesies, and other potential risk areas. The Internal Audit Department, with assistance from outside parties having appropriate specialized expertise, will regularly conduct audits to determine the Company's and its Business Partners' (where appropriate) adherence with this Policy and the Company's anti-corruption compliance program. The nature, scope, and extent of the internal audit procedures will be determined by the Internal Auditor after appropriate consideration of the input from the Company's Finance Committee of the Board of Directors, Compliance Officer, the General Counsel, and the Company's executive managers, and the results of risk assessments performed. The internal audit procedures will address awareness of and compliance with the policies contained herein, and audits of the Company's business units, functions, subsidiaries, affiliates, and joint ventures will include anti-corruption compliance.

Internal Audit will document and report the results of each compliance-related audit to relevant management and the Compliance Officer and, as appropriate, to the Board of Directors.

Any potential violations of the Company's anti-corruption program, either brought to the Internal Audit Department's attention or discovered during an audit, will be reviewed appropriately and thoroughly investigated on a timely basis in accordance with the Company's policies and procedures and in coordination with the Legal Department.

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 promptly and objectively, and that the company takes steps to ensure the independence of its investigations. There is evidence that the company commits to putting in place remediation plans and reporting investigative findings to senior management and the board. For whistleblowing cases, there is evidence that the company has a procedure in place which covers the investigation process from receipt to final outcome, and the company commits to ensure whistleblowers are informed of the outcome. The evidence states that a senior central body of the company receives and reviews summary information of all incidents and their status on a quarterly basis.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.11] iii. Reporting, Investigating, and Remediation</p> <p>The Company's officers, directors, employees, subsidiaries, affiliates, and Business Partners are responsible for reporting actual or potential violations of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or the relevant applicable anticorruption laws of other countries to report the matter to the Company. The employee should report to the Company's General Counsel. Reports can be submitted by email, mail, or telephone as follows: avitalr@rafael.co.il; Avital Rosenberg, Legal Department, Rafael Advanced Defense Systems, P.O.B 2250, Haifa, 3102102, Israel, +972-4-879-4033. Reports can also be sent to the Compliance Officer (danielb@rafael.co.il or +972-7-333- 58200) or Internal Auditor. Reports received by any other persons, such as supervisors, Human Resources, Compliance or Finance personnel or others, including from subsidiaries and affiliates, must notify the General Counsel as soon as practicable. This will ensure the proper identification, tracking, escalation, investigation, and remediation of any issues. The General Counsel shall notify the Company's Compliance Officer and Internal Auditor. The Compliance Officer, in consultation with the Legal Department, shall identify additional avenues for reporting as needed.</p> <p>In order to encourage employees to report violations of this Policy and the abovementioned rules and regulations, such reports need not be signed and may be sent anonymously, where permitted under local law. Moreover, the Company prohibits actual or threatened direct or indirect retaliation, harassment, or discrimination against anyone who in good faith seeks advice, raises a concern, reports misconduct or provides information in an investigation is strictly prohibited. Some examples of retaliation include: denial of benefits, termination, demotion, suspension, threats, harassment or discrimination. If any individual, regardless of his or her role at the Company, retaliates against anyone who has truthfully and in good faith reported a potential violation, Rafael will take appropriate action—even where no violation is revealed after investigation. However, if an individual has intentionally made a false report, the Company will respond accordingly.</p> <p>The Company, led by the Legal Department together with the Compliance Department, will investigate actual or potential violations of this Policy or applicable law. The Company will track and respond appropriately to issues raised through reporting mechanisms, as well as to any weakness in the Company's compliance program. This response may include disciplinary action, up to and including termination of employment for anyone who: (a) violates this Policy or related compliance procedures, Israeli anticorruption laws, the OECD Anti-Bribery Convention, or other applicable laws,</p> <p>[p.12] (b) retaliates against others who report such violations. All in accordance with Israeli Law and other Rafael policies. At least quarterly, the Anti-Corruption Committee will review a summary of all reports and investigations open at the time of the meeting and those that have been closed since the last meeting, along with the status of each report. The General Counsel and/or the Compliance Officer will report significant allegations, investigations, or findings to the Board of Directors.</p>

[6] Social Responsibility Report 2017 (Document)

Accessed 24/03/2020

<http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF>

[p.43]

תלונות

הסמנכ"ל למשאבי אנוש ולראשון יעודד את העובדים לדווח על הפרה של הקוד האתי, או חשש להפרה, ויקל עליהם את תהליך הגשת תלונה. כמו כן ידאג להגן על מגיש התלונה מפני התנכלות עקב הגשתה. עובד המעוניין להתלונן, יוכל לפנות אל כל אחד מהגורמים שהוזכרו לעיל. מובטח לו שהגורם הבודק ישמור על חיסונו במהלך הטיפול בתלונה.

לאחר חשיפה של פעילות שאינה אתית ברפאל או שהיא בלתי חוקית, ייערך תחקיר בעניין ע"י אחד מהגורמים שזכרו לעיל, בהתאם לרלוונטיות. תהליך הטיפול בתלונה יתועד במשרדי הגורם המטפל, ובסימוני תושגנה ההמלצות העיקריות הרלוונטיות לגורם המתלונן, תוך שמירה על צנעת הפרט של כל המעורבים בתהליך. כמו כן, במידת הצורך ייקלטו פעולות לתיקון המעוות ומניעת הישנות מקרים דומים בעתיד, כולל אמצעי משמעת ופרסום נסיבות המקרה.

שני מנגנונים עיקריים עומדים לרשות העובדים לצורך הגשת תלונות בתחומי טוהר המידות והאתיקה ולבירור, לשני הגורמים ניתן להגיש תלונה אנונימית:

מבקר רפאל המשמש גם כנציב תלונות הציבור.

סמנכ"ל למשאבי אנוש/מנכ"ל נושא האתיקה.

הפרטים שלהם מופיעים באתר "אתיקה ברפאל" וניתן לפנות אליהם במגוון דרכים, לרבות באמצעות תיבת מיל ייעודית.



Translation:

[p.43] Complaints

The Human Resources and organization manager shall encourage the employees to report on the violations of the ethical code or suspicions of violations and will be helpful with in the process of submitting the complaint. Also, will see to all the needed protection for the person who submits the complaint. The employee who wants to submit a complaint can turn to all of the above mentioned organizational bodies. Personal immunity of the person shall be protected in the course of dealing with the complaint.

After a disclosure of unethically conducted or illegal activities in Rafael, an investigation will be held by one of the above mentioned competent organizational bodies, depending on its relevance. The manner of dealing with the complaint should be duly reported by that competent body in its office and in the end of the process the main relevant recommendations shall be presented to the person who submitted the complaint while protecting the privacy of all parties involved. Afterwards, steps are to be taken to mend the situation and prevent it from occurring again, that includes disciplinary measures and publicizing the conditions of the violation of the ethical code.

The two main bodies which are there to address the complaints about violations of morality and ethical integrity and their clarifications, in an anonymous manner are:

The Auditor of Rafael who also serves as an Ombudsman for Public Complaints

Human Resources General Manager/the Executive for Ethics

Their contacts are listed on the website of Rafael, in the section Ethics in Rafael; these bodies may be approached in various manners, including a special email address for complaints.

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 states that systems are in place and that an Internal Auditor has access to information on the process; however there is no clear evidence that staff tasked with conducting investigations are properly trained to perform the function, nor that there is a procedure in place to receive and escalate, if necessary, complaints about the investigative procedure.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.5] On an on-going basis, the Policy and all related procedures shall be reviewed and revised by the Compliance Officer, if necessary, taking into consideration, inter alia, findings of the Internal Auditor, risk assessments, violations of the Policy, and other factors impacting the risk profile of the Company or the effectiveness of this Policy.</p> <p>[p.10] iii. Reporting, Investigating, and Remediation</p> <p>The Company's officers, directors, employees, subsidiaries, affiliates, and Business Partners are responsible for reporting actual or potential violations of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or the relevant applicable anticorruption laws of other countries to report the matter to the Company. The employee should report to the Company's General Counsel. Reports can be submitted by email, ...</p> <p>[p.11] ... mail, or telephone as follows: avitalr@rafael.co.il; Avital Rosenberg, Legal Department, Rafael Advanced Defense Systems, P.O.B 2250, Haifa, 3102102, Israel, +972-4-879-4033. Reports can also be sent to the Compliance Officer (danielb@rafael.co.il or +972-7-333- 58200) or Internal Auditor. Reports received by any other persons, such as supervisors, Human Resources, Compliance or Finance personnel or others, including from subsidiaries and affiliates, must notify the General Counsel as soon as practicable. This will ensure the proper identification, tracking, escalation, investigation, and remediation of any issues. The General Counsel shall notify the Company's Compliance Officer and Internal Auditor. The Compliance Officer, in consultation with the Legal Department, shall identify additional avenues for reporting as needed.</p> <p>[...]</p> <p>The Company, led by the Legal Department together with the Compliance Department, will investigate actual or potential violations of this Policy or applicable law. The Company will track and respond appropriately to issues raised through reporting mechanisms, as well as to any weakness in the Company's compliance program. This response may include disciplinary action, up to and including termination of employment for anyone who: (a) violates this Policy or related compliance procedures, Israeli anticorruption laws, the OECD Anti-Bribery Convention, or other applicable laws ...</p> <p>(b) retaliates against others who report such violations. All in accordance with Israeli Law and other Rafael policies. At least quarterly, the Anti-Corruption Committee will review a summary of all reports and investigations open at the time of the meeting and those that have been closed since the last meeting, along with the status of each report. The General Counsel and/or the Compliance Officer will report significant allegations, investigations, or findings to the Board of Directors. The General Counsel, on behalf of the Company, may report criminal conduct to relevant authorities, as appropriate.</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
There is clear evidence that the company commits to report material findings of bribery and corruption from its investigations to the board. There is evidence that an appropriate senior individual is ultimately responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if found necessary.
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.12] At least quarterly, the Anti-Corruption Committee will review a summary of all reports and investigations open at the time of the meeting and those that have been closed since the last meeting, along with the status of each report. The General Counsel and/or the Compliance Officer will report significant allegations, investigations, or findings to the Board of Directors. The General Counsel, on behalf of the Company, may report criminal conduct to relevant authorities, as appropriate.</p>

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
1
Comments
<p>The company publishes some high-level information on ethics and compliance-related complaints involving its employees. This information includes the number of reports received and the number of disciplinary actions.</p> <p>However, the company receives a score of '1' because this information does not cover the past 12 months, nor does it cover the number of reports received through whistleblowing channels and the number of investigations launched. The company also does not explicitly state that this ethics data includes details of bribery or corruption related incidents.</p>
Evidence
<p>[6] Social Responsibility Report 2017 (Document) Accessed 24/03/2020 http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF [p.43]</p> <div><div>תלונות</div><p>הסמנכ"ל למשאבי אנוש ולארגון יעודד את העובדים לדווח על הפרה של הקוד האתי, או חשש להפרה, ויקל עליהם את תהליך הגשת תלונה. כמו כן ידאג להגן על מניש התלונה מפני התנכלות עקב הגשתה. עובד המעוניין להתלונן, יוכל לפנות אל כל אחד מהגורמים שהוזכרו לעיל. מובטח לו שהגורם הבודק ישמור על חיסיונו במהלך הטיפול בתלונה.</p><p>לאחר חשיפה של פעילות שאינה אתית ברפאל או שהיא בלתי חוקית, ייערך תחקיר בעניין ע"י אחד מהגורמים שנוכרו לעיל, בהתאם לרלוונטיות. תהליך הטיפול בתלונה יתועד במשרדי הגורם המטפל, ובסיומו תוגשנה ההמלצות העיקריות הרלוונטיות לגורם המתלונן, תוך שמירה על צנעת הפרט של כל המעורבים בתהליך. כמו כן, במידת הצורך יינקטו פעולות לתיקון המעוות ומניעת הישנות מקרים דומים בעתיד, כולל אמצעי משמעת ופרסום נסיבות המקרה.</p><p>שני מנגנונים עיקריים עומדים לרשות העובדים לצורך הגשת תלונות בתחומי טוהר המידות והאתיקה ולבירורן, לשני הגורמים ניתן להגיש תלונה אנונימית:</p><p>מבקר רפאל המשמש גם כנציב תלונות הציבור.</p><p>סמנכ"ל למשאבי אנוש/מובילת נושא האתיקה.</p><p>הפרטים שלהם מופיעים באתר "אתיקה ברפאל" וניתן לפנות אליהם במגוון דרכים, לרבות באמצעות תיבת מיל ייעודית.</p><div><div><div>16 תלונות</div><div>הוגשו ונבדקו במשאבי אנוש, לרבות 9 מקרי משמעת</div></div><div>מתוך</div><div><div>26 תלונות</div><div>הוגשו ונבדקו על ידי המבקר הפנימי</div></div><div>בשנת 2015 טופלו ברפאל</div><div><div>42 תלונות</div><div>בעלות אופי אתי</div></div></div><div><div><div>23 תלונות</div><div>הוגשו ונבדקו במשאבי אנוש, לרבות 9 מקרי משמעת</div></div><div>מתוך</div><div><div>9 תלונות</div><div>הוגשו ונבדקו על ידי המבקר הפנימי</div></div><div>בשנת 2016 טופלו ברפאל</div><div><div>23 תלונות</div><div>בעלות אופי אתי</div></div></div></div>
Translation:
[p.43] Complaints

The Human Resources and organization manager shall encourage the employees to report on the violations of the ethical code or suspicions of violations and will be helpful with in the process of submitting the complaint. Also, will see to all the needed protection for the person who submits the complaint. The employee who wants to submit a complaint can turn to all of the above mentioned organizational bodies. Personal immunity of the person shall be protected in the course of dealing with the complaint.

After a disclosure of unethically conducted or illegal activities in Rafael, an investigation will be held by one of the above mentioned competent organizational bodies, depending on its relevance. The manner of dealing with the complaint should be dully reported by that competent body in its office and in the end of the process the main relevant recommendations shall be presented to the person who submitted the complaint while protecting the privacy of all parties involved. Afterwards, steps are to be taken to mend the situation and prevent it from occurring again, that includes disciplinary measures and publicizing the conditions of the violation of the ethical code. The two main bodies which are there to address the complaints about violations of morality and ethical integrity and their clarifications, in an anonymous manner are:

- The Auditor of Rafael who also serves as an Ombudsman for Public Complaints
- Human Resources General Manager/the Executive for Ethics

Their contacts are listed on the website of Rafael, in the section Ethics in Rafael; these bodies may be approached in various manners, including a special email address for complaints.

In 2015 the total of 42 complaints concerning ethics were dealt with in Rafael; 26 were submitted and were examined by an internal comptroller, 16 were submitted to the Human Resources General Manager/the Executive for Ethics; in 9 cases disciplinary measures were taken.

In 2016 the total of 23 complaints concerning ethics were dealt with in Rafael; 9 were submitted and were examined by an internal comptroller, 23 were submitted to the Human Resources General Manager/the Executive for Ethics; in 9 cases disciplinary measures were taken.

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
1
Comments
<p>There is evidence that the company provides training that outlines the basic principles of the anti-bribery and corruption policy, including the whistleblowing options available to employees. There is evidence that the company provides this training to all employees and in all appropriate languages. However, the company receives a score of '1' because it is unclear how frequently employees are required to refresh their training on anti-bribery and corruption.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.4] B. Compliance Officer and Compliance Department Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: [...] providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.10] A. Compliance by Employees i. Training On an annual basis (during the first quarter of each fiscal year), the Compliance Officer shall develop an annual training plan, to be reviewed and approved by the AntiCorruption Committee. All employees shall receive periodic training that includes the fundamental anti-corruption principles underlying this Policy, including Rafael's reporting and non-retaliation policy. The Compliance Officer shall determine which employees should receive additional, tailored anti-corruption training and ensure that training is provided in the relevant languages. The Company will provide tailored training to members of the Board of Directors; senior and middle management; members of committees or groups with high risk responsibilities, such as those that approve Business Partners or offset arrangements; and employees in higher risk functions, including Sales/Marketing, Legal, Contracts, Procurement, Audit, Finance, and any others identified by the Compliance Officer in the annual training plan, according to a list of specific positions to be prepared by the Compliance Officer ("Positions List"). Training should include Israeli anti-corruption laws, the OECD Anti-Bribery Convention, other applicable anti-corruption laws, and relevant Company policies and procedures. Training should also include function-specific training to educate employees about corruption risks and red flags that can arise in the course of their specific functions at the Company.</p> <p>Any employees added to the Company's Positions List because they were newly hired by the Company or transferred/promoted to a position on the Positions List should receive a copy of this Policy at orientation and should be trained on this Policy within ninety (90) days of being hired or given new responsibilities, or, if that is not practicable for some reason, at the first available training course.</p> <p>As part of developing the annual training plan, the Compliance Officer also will review the content and frequency of the training materials and update these materials to improve effectiveness or address new risk areas. The Compliance Officer will identify areas for enhancement through the results of Rafael's risk assessments, feedback from employees, results of internal audits, and benchmarking with credible international authorities or external anti-corruption practitioners. The Compliance Officer will present any significant changes to the Anti-Corruption Committee and also may use this information to enhance anti-corruption-related communications.</p> <p>[p.11] ii. Certifications All employees fulfilling the functions listed in the Positions List will be required to sign certification forms at least annually, or as otherwise determined by the Compliance Officer, in which they certify their understanding of, and</p>

agreement to comply with, this Policy and related procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, and applicable anti-corruption laws of other countries. Each employee shall also certify that he or she is not aware of any compliance violations.

[p.12] v. Records of Compliance Efforts

The Company must keep records of training provided (including a list of required and actual attendees, date(s) of training, and copies of materials presented), employee certifications, and issues reviewed, including the resolution of each issue and any disciplinary action taken. Disciplinary actions taken, in whole or in part, as a result of noncompliance with the requirements of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention and the relevant applicable anti-corruption laws of other countries must be reported promptly to the Company's General Counsel and the Compliance Officer.

[p.24] The Company will keep records relating to the compliance and audit of this Policy for a minimum of seven (7) years. Each department identified below will ensure that the records it maintains are associated with a record series under the Company's Records Retention Schedule to comply with the foregoing. Records relating to this Policy are owned as follows:

(i) the Company's Compliance Officer is responsible for maintaining records of employee training, employee certification, and issues reviewed as required under paragraph 5A(v) above;

[2] Rafael's Ethical Code (Document)

Accessed 24/03/2020

https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf

[p.31] Managing RAFAEL's Ethics Program

RAFAEL's Chief Compliance Officer, in consultation with the Ethics Advisory Committee and with the assistance of the Ethics Trustees, will carry out an ethics implementation program. The implementation of the ethics program at RAFAEL may include, among other things, periodically updating the code; annual reporting to the company's management; carrying out explanatory and training activities for employees and managers; distribution of ethics-related notices; information pages and queries; actions that aim to publicize and distribute the Ethical Code; integration of ethics content in the training of managers, and more.

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
<p>There is evidence that the company provides tailored anti-bribery and corruption training to employees in different roles based on their exposure to corruption risk, with specific reference to the three categories of employee referred to in (a), (b) and (c) of the question. However, there is no evidence that employees in high risk positions specifically are required to undertake and refresh their training on at least an annual basis.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.10] A. Compliance by Employees i. Training On an annual basis (during the first quarter of each fiscal year), the Compliance Officer shall develop an annual training plan, to be reviewed and approved by the AntiCorruption Committee. All employees shall receive periodic training that includes the fundamental anti-corruption principles underlying this Policy, including Rafael's reporting and non-retaliation policy. The Compliance Officer shall determine which employees should receive additional, tailored anti-corruption training and ensure that training is provided in the relevant languages. The Company will provide tailored training to members of the Board of Directors; senior and middle management; members of committees or groups with high risk responsibilities, such as those that approve Business Partners or offset arrangements; and employees in higher risk functions, including Sales/Marketing, Legal, Contracts, Procurement, Audit, Finance, and any others identified by the Compliance Officer in the annual training plan, according to a list of specific positions to be prepared by the Compliance Officer ("Positions List"). Training should include Israeli anti-corruption laws, the OECD Anti-Bribery Convention, other applicable anti-corruption laws, and relevant Company policies and procedures. Training should also include function-specific training to educate employees about corruption risks and red flags that can arise in the course of their specific functions at the Company.</p> <p>Any employees added to the Company's Positions List because they were newly hired by the Company or transferred/promoted to a position on the Positions List should receive a copy of this Policy at orientation and should be trained on this Policy within ninety (90) days of being hired or given new responsibilities, or, if that is not practicable for some reason, at the first available training course.</p> <p>As part of developing the annual training plan, the Compliance Officer also will review the content and frequency of the training materials and update these materials to improve effectiveness or address new risk areas. The Compliance Officer will identify areas for enhancement through the results of Rafael's risk assessments, feedback from employees, results of internal audits, and benchmarking with credible international authorities or external anti-corruption practitioners. The Compliance Officer will present any significant changes to the Anti-Corruption Committee and also may use this information to enhance anti-corruption-related communications.</p> <p>[p.11] ii. Certifications All employees fulfilling the functions listed in the Positions List will be required to sign certification forms at least annually, or as otherwise determined by the Compliance Officer, in which they certify their understanding of, and agreement to comply with, this Policy and related procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, and applicable anti-corruption laws of other countries. Each employee shall also certify that he or she is not aware of any compliance violations.</p>

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
2
Comments
<p>There is evidence that the company measures and reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme. There is evidence that the company has a system to do this, for example through risk assessments, feedback from employees and results of internal audits and the company commits to assuring itself of this on at least on an annual basis. There is evidence that the results of such reviews are then used to update specific parts of the company's anti-bribery and corruption communications and training programme, with a review of the programme taking place on an annual basis.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.4] 3. Applicability of Policy This Policy applies to the directors, officers, employees, and agents of the Company and its controlled entities. [...] B. Compliance Officer and Compliance Department Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.5] The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.</p> <p>[p.10] A. Compliance by Employees i. Training On an annual basis (during the first quarter of each fiscal year), the Compliance Officer shall develop an annual training plan, to be reviewed and approved by the AntiCorruption Committee. All employees shall receive periodic training that includes the fundamental anti-corruption principles underlying this Policy, including Rafael's reporting and non-retaliation policy. The Compliance Officer shall determine which employees should receive additional, tailored anti-corruption training and ensure that training is provided in the relevant languages. The Company will provide tailored training to members of the Board of Directors; senior and middle management; members of committees or groups with high risk responsibilities, such as those that approve Business Partners or offset arrangements; and employees in higher risk functions, including Sales/Marketing, Legal, Contracts, Procurement, Audit, Finance, and any others identified by the Compliance Officer in the annual training plan, according to a list of specific positions to be prepared by the Compliance Officer ("Positions List"). Training should include Israeli anti-corruption laws, the OECD Anti-Bribery Convention, other applicable anti-corruption laws, and relevant Company policies and procedures. Training should also include function-specific training to educate employees about corruption risks and red flags that can arise in the course of their specific functions at the Company.</p>

Any employees added to the Company's Positions List because they were newly hired by the Company or transferred/promoted to a position on the Positions List should receive a copy of this Policy at orientation and should be trained on this Policy within ninety (90) days of being hired or given new responsibilities, or, if that is not practicable for some reason, at the first available training course.

As part of developing the annual training plan, the Compliance Officer also will review the content and frequency of the training materials and update these materials to improve effectiveness or address new risk areas. The Compliance Officer will identify areas for enhancement through the results of Rafael's risk assessments, feedback from employees, results of internal audits, and benchmarking with credible international authorities or external anti-corruption practitioners. The Compliance Officer will present any significant changes to the Anti-Corruption Committee and also may use this information to enhance anti-corruption-related communications.

[p.11] ii. Certifications

All employees fulfilling the functions listed in the Positions List will be required to sign certification forms at least annually, or as otherwise determined by the Compliance Officer, in which they certify their understanding of, and agreement to comply with, this Policy and related procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, and applicable anti-corruption laws of other countries. Each employee shall also certify that he or she is not aware of any compliance violations.

[p.12] v. Records of Compliance Efforts

The Company must keep records of training provided (including a list of required and actual attendees, date(s) of training, and copies of materials presented), employee certifications, and issues reviewed, including the resolution of each issue and any disciplinary action taken. Disciplinary actions taken, in whole or in part, as a result of noncompliance with the requirements of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention and the relevant applicable anti-corruption laws of other countries must be reported promptly to the Company's General Counsel and the Compliance Officer.

[p.24] The Company will keep records relating to the compliance and audit of this Policy for a minimum of seven (7) years. Each department identified below will ensure that the records it maintains are associated with a record series under the Company's Records Retention Schedule to comply with the foregoing. Records relating to this Policy are owned as follows:

(i) the Company's Compliance Officer is responsible for maintaining records of employee training, employee certification, and issues reviewed as required under paragraph 5A(v) above;

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
There is no evidence that the company's incentive schemes 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
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
No evidence found.

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 evidence the company promotes a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is evidence to indicate that this policy extends to any individual who wishes to report an incident, including all employees of suppliers, third parties and joint venture partners.</p> <p>However, the company receives a score of '1' as 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.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.3] Any individual or entity subject to this Policy who has reason to believe that a violation of Company policy or applicable law may have occurred is required to report the activity to the Company's General Counsel immediately. The General Counsel shall notify the Company's Compliance Officer. The Company will ensure that no retributive action ...</p> <p>[p.4] ... is taken against anyone making such a report in good faith because of such reporting. Reports may be submitted anonymously. Information regarding how to submit a report is provided in section 5 below.</p> <p>[p.10] iii. Reporting, Investigating, and Remediation The Company's officers, directors, employees, subsidiaries, affiliates, and Business Partners are responsible for reporting actual or potential violations of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or the relevant applicable anti- corruption laws of other countries to report the matter to the Company.</p> <p>[p.11] In order to encourage employees to report violations of this Policy and the abovementioned rules and regulations, such reports need not be signed and may be sent anonymously, where permitted under local law. Moreover, the Company prohibits actual or threatened direct or indirect retaliation, harassment, or discrimination against anyone who in good faith seeks advice, raises a concern, reports misconduct or provides information in an investigation is strictly prohibited. Some examples of retaliation include: denial of benefits, termination, demotion, suspension, threats, harassment or discrimination. If any individual, regardless of his or her role at the Company, retaliates against anyone who has truthfully and in good faith reported a potential violation, Rafael will take appropriate action—even where no violation is revealed after investigation. However, if an individual has intentionally made a false report, the Company will respond accordingly.</p> <p>[2] Rafael's Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf [p.33] Subject to RAFAEL's procedures and the law, discreet ethics-related reports and complaints that have been submitted in good faith (whether submitted anonymously or whether the person has requested that his name not be revealed), will be handled with maximum discretion, ensuring that the complainant is not harmed and is not exposed to harassment due to his report/complaint.</p> <p>To be clear, discipline-related complaints will be submitted, discussed and handled in accordance with RAFAEL's discipline procedure.</p>

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>There is evidence the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain, by telephone, email or mail. There is evidence that these channels allow for confidential and anonymous reporting. There is some evidence these channels are open to all employees and third parties, although the company does not refer to employees of suppliers and joint venture partners specifically.</p> <p>However, the company receives a score of '1' as the evidence suggests that it only offers internally operated channels, with no evidence of an external channel operated by an independent third party. It is also unclear whether the channels are available in all relevant languages.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Any individual or entity subject to this Policy who has reason to believe that a violation of Company policy or applicable law may have occurred is required to report the activity to the Company's General Counsel immediately. The General Counsel shall notify the Company's Compliance Officer. The Company will ensure that no retributive action</p> <p>[p.4] is taken against anyone making such a report in good faith because of such reporting. Reports may be submitted anonymously. Information regarding how to submit a report is provided in section 5 below.</p> <p>[p.10] iii. Reporting, Investigating, and Remediation</p> <p>The Company's officers, directors, employees, subsidiaries, affiliates, and Business Partners are responsible for reporting actual or potential violations of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or the relevant applicable anti- corruption laws of other countries to report the matter to the Company. The employee should report to the Company's General Counsel. Reports can be submitted by email, ...</p> <p>[p.11] ... mail, or telephone as follows: ssunray@rafael.co.il; Shmuel Sunray, Legal Department, Rafael Advanced Defense Systems, P.O.B 2250, Haifa, 3102102, Israel, +972-4-879-4033. Reports can also be sent to the Compliance Officer or Internal Auditor. Reports received by any other persons, such as supervisors, Human Resources, Compliance or Finance personnel or others must notify the General Counsel as soon as practicable. This will ensure the proper escalation, investigation, and remediation of any issues. The General Counsel shall notify the Company's Compliance Officer and Internal Auditor. The Compliance Officer, in consultation with the Legal Department, shall identify additional avenues for reporting as needed.</p> <p>In order to encourage employees to report violations of this Policy and the abovementioned rules and regulations, such reports need not be signed and may be sent anonymously, where permitted under local law. Moreover, the Company prohibits actual or threatened direct or indirect retaliation, harassment, or discrimination against anyone who in good faith seeks advice, raises a concern, reports misconduct or provides information in an investigation is strictly prohibited. Some examples of retaliation include: denial of benefits, termination, demotion, suspension, threats, harassment or discrimination. If any individual, regardless of his or her role at the Company, retaliates against anyone who has truthfully and in good faith reported a potential violation, Rafael will take appropriate action—even where no violation is revealed after investigation. However, if an individual has intentionally made a false report, the Company will respond accordingly.</p>

The Company, led by the Legal Department together with Compliance Department, will investigate actual or potential violations of this Policy or applicable law, which will be reported to the Anti-Corruption Committee and to the Board of Directors, if applicable.

The Company will respond appropriately to issues raised through the reporting mechanism, as well as to any weakness in the Company's Compliance Program. This response may include disciplinary action, up to and including termination of employment for anyone who: (a) violates this Policy or related compliance procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable laws, (b) fails to detect or report such violations, (c) retaliates against others who report such violations, or (d) fails to enforce this Policy.

[2] Rafael's Ethical Code (Document)

Accessed 24/03/2020

https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf

[p.33] Ethics-Related Inquiries, Reports and Complaints

Each and every RAFAEL employee is personally responsible for acting and behaving in a manner that corresponds with RAFAEL's ethical principles and values. In order to aid in complying with this commitment, one can contact the Ethics Trustees in the divisions or alternately, contact the Chief Compliance Officer directly, in order to receive advice or to report a violation of the Ethical Code.

An inquiry, report or complaint regarding ethical issues will be made via one of the following modes of communication:

By contacting one of the Ethics Trustees in the divisions
By using the report button on RAFAEL's ethics website

Anonymous ethics-related reports and complaints can be submitted in the following manner:

By sending a letter to the Chief Compliance Officer (Mr. Daniel Benshabat, Distribution Center 200, David Institute)

By contacting RAFAEL's Internal Auditor or the Harassment Prevention Supervisor Such an inquiry will be passed on, without personal details of the complainant, to the Chief Compliance Officer (subject to the law and RAFAEL's procedures).

[p.34] Subject to RAFAEL's procedures and the law, discreet ethics-related reports and complaints that have been submitted in good faith (whether submitted anonymously or whether the person has requested that his name not be revealed), will be handled with maximum discretion, ensuring that the complainant is not harmed and is not exposed to harassment due to his report/complaint.

To be clear, discipline-related complaints will be submitted, discussed and handled in accordance with RAFAEL's discipline procedure.

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>There is evidence that the company formally addresses conflict of interest as a corruption risk, and has a policy for conflicts of interests that covers actual, potential and perceived conflict of interests. The policy refers to financial interests, employee relationships, government relationships and other employment. There is evidence that this policy applies to all employees, suppliers and business partners associated with the company, which is understood to also include all board members, third parties and employees of joint ventures.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.3] Rafael Advanced Defense Systems Ltd., as well as its respective affiliates and related entities (collectively, “Rafael” and/or the “Company”), believe in conducting business ethically, honestly, and with integrity. It has been and continues to be the policy of the Company to conduct its operations and activities in compliance with Israeli anticorruption laws and the OECD Anti-Bribery Convention, as well as the applicable anticorruption laws of other countries.</p> <p>[p.12] Rafael follows applicable local laws and regulations regarding “cooling-off periods” related to hiring current or former Government Officials. Potential employment candidates for roles with higher risk, such as interacting with Government Officials, Finance/Accounting, and/or managing Business Partners, shall be screened prior to hiring.</p> <p>[2] Rafael’s Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf [p.22] Our Responsibility to Suppliers</p> <p>We see our suppliers as partners, and work with them in a spirit of mutual trust, fairness and cooperation. We choose suppliers based solely on professional and practical criteria; transparently provide suppliers with the relevant information for preparing their tenders and with the rules according to which the selection of suppliers takes place, and give equal and fair opportunities to suitable suppliers. We maintain professional relationships with suppliers and refrain from creating any conflict of interest, such as engaging in a personal business and commercial relationship with a supplier.</p> <p>[p.24] Refraining from Conflicts of Interest</p> <p>We ensure that we are not in a state of conflict of interest and aspire to prevent even an appearance of a conflict of interest. Among other things, and accordingly, we:</p> <ul style="list-style-type: none"> • Provide full disclosure to managers in case of doubt or being in a conflict of interest, and distance ourselves from the activity until receiving the appropriate approval or decision on the matter. • Refrain from receiving gifts and favors from suppliers, customers and other stakeholders. • Grant business courtesies only in accordance with RAFAEL’s procedures. • Make sure to receive prior approval, in accordance with RAFAEL’s procedures, for additional work, and ensure that there is no conflict of interest between our role at RAFAEL and our role at the other workplace. • Refrain from personal, business and financial contracting and activity with an organization that competes with the company, with a customer or with a supplier.

[6] Social Responsibility Report 2017 (Document)

Accessed 24/03/2020

<http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF>

[p.62]

ניגוד עניינים אצל עובדים

עובד ברפאל ו/או נותן שירות המועסק ע"י רפאל (גורם חיצוני המועסק ע"י רפאל בין אם ישירות ובין אם באמצעות חברה או גורם נוסף, לשם ביצוע עבודה, פרויקט או הסכם שירותים, לרבות יועץ, ספק, עובד חברה כ"א, עובד חברה תוכנה וכו') עלולים להימצא במצב של ניגוד עניינים בעבודתם.

החברה נוקטת נוהל לטיפול בניגוד עניינים בעבודה; הנוהל עוסק בדיווח, בהצהרה ובטיפול בוגדת חריגים. הנוהל עוסק בנושאים הבאים:

- איתור הנושאים בהם קיים חשש לניגוד עניינים, על ידי מילוי הצהרת עובד ו/או נותן השירות על קיומם של קשרי עבודה, קשרי משפחה, קשרים חברתיים מיוחדים או כלכליים, התקשרות עם חברה מתחרה וכו', או באמצעות דיווח העובד לממונה עליו, לגבי קיומו של חשש לניגוד עניינים בעת ביצוע עבודתו.
- במידה שיימצא שאכן קיים חשש לניגוד עניינים, יוחל בתהליך לבחינת הפתרון ההולם ליישוב החשש שאותר. התהליך יתבצע על ידי ועדה לניגוד עניינים המורכבת משלושה נציגים, ובהם: סמנכ"ל בכיר למשאבי אנוש ולארטון, סמנכ"ל בכיר והיועץ המשפטי של החברה, וחבר הנהלה נוסף שייקבע לפי העניין ויקבל כתב מינוי ממנכ"ל רפאל.

הוועדה רשאית לאשר את העסקת העובד או את העברתו לתפקיד אחר או לחידה אחרת, או לחילופין את העסקתו של נותן השירות בהיתר חריג; ההחלטה תלווה במסמך המכיל את הנימוקים שהביאו לניבוי; ובלבד שהוועדה משוכנעת שהעסקת העובד / נותן השירות לא תפגע בטוהר המידות ובתקינות בהתנהלות החברה.

Translation:

[p.62] Conflicts of Interests

Rafael employees and service providers (external entities employed by Rafael directly or indirectly for the performance of certain tasks, projects or agreed upon services, including in consulting, supplies provision, human resources management, computing etc.) are obliged to avoid situations of conflict of interests.

The company follows a code which defines such situations, which prescribes reporting of such case, its evaluation in the committee for deviations from the rule. The code includes the following:

- Identification of a situation of conflict of interest by means of a questionnaire for all Rafael employees and service providers about their work and family liaisons or special connections in economy and society as a whole, or about connections to other competing entities, or by means of reporting to the superior employee in case of a suspicion for conflict of interest in the course of the work processes.
- If it is discovered that there exists a conflict of interests, the process of inquiring into the problem and its correct resolution shall be commenced, so that the suspicion is eliminated. The process shall be conducted by a committee dealing with conflicts of interests which is composed of three representatives: the general manager for human resources and organization, another top manager and the legal advisor of the company and another member of the executive who shall be appointed to deal with the matter by means of a letter of appointment from Rafael top executive.

The committee shall have the right to either approve the employment of a certain worker or transfer him to another task or another unit, or it can allow his engagement on the basis of a special permit; the decision shall be clarified and explained in writing and shall be adopted only provided that it is not contrary to morality, ethical integrity and due operation of the company.

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>There is evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. The company states that it forms committees to handle conflicts of interests which include representatives from the human resources and legal departments as well as a member of the executive team. There is evidence which indicates that employees who breach the company's policies are subject to disciplinary action.</p> <p>However, the company receives a score of '1' as there is no evidence that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process. There is also no evidence that the company provides examples of criteria for recusals.</p>
Evidence
<p>[6] Social Responsibility Report 2017 (Document) Accessed 24/03/2020 http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF [p.62]</p> <div style="text-align: center;"> <p>ניגוד עניינים אצל עובדים</p> <p>עובד ברפאל ו/או נותן שירות המועסק ע"י רפאל (גורם חיצוני המועסק ע"י רפאל בין אם ישירות ובין אם באמצעות חברה או גורם נוסף, לשם ביצוע עבודה, פרויקט או הסכם שירותים, לרבות יועץ, ספק, עובד חברה כ"א, עובד חברת תוכנה וכו') עלולים להימצא במצב של ניגוד עניינים בעבודתם.</p> <p>החברה נוקטת נהל לטיפול בניגוד עניינים בעבודה; הנהל עוסק בדיווח, בהצהרה ובטיפול בועדת חריגים. הנהל עוסק בנושאים הבאים:</p> <ul style="list-style-type: none"> • איתור הנושאים בהם קיים חשש לניגוד עניינים, על ידי מילוי הצהרת עובד ו/או נותן השירות על קיומם של קשרי עבודה, קשרי משפחה, קשרים חברתיים מיוחדים או כלכליים, התקשרות עם חברה מתחרה וכו', או באמצעות דיווח העובד לממונה עליו, לגבי קיומו של חשש לניגוד עניינים בעת ביצוע עבודתו. • במידה שיימצא שאכן קיים חשש לניגוד עניינים, יוחל בתהליך לבחינת הפתרון ההולם ליישוב החשש שאותר. התהליך יתבצע על ידי ועדה לניגוד עניינים המורכבת משלושה נציגים, ובהם: סמנכ"ל בכיר למשאבי אנוש ולארגון, סמנכ"ל בכיר והיועץ המשפטי של החברה, וחבר הנהלה נוסף שייקבע לפי העניין ויקבץ כתב מינוי ממנכ"ל רפאל. <p>הוועדה תשאית לאשר את העסקת העובד או את העברתו לתפקיד אחר או לחידה אחרת, או לחילופין את העסקתו של נותן השירות בהיתר חריג; ההחלטה תלווה במסמך המכיל את הנימוקים שהביאו לניבוי; ובלבד שהוועדה משוכנעת שהעסקת העובד / נותן השירות לא תפגע בטוהר המידות ובתקינות בהתנהלות החברה.</p> </div> <p>Translation:</p> <p>[p.62] Conflicts of Interests</p> <p>Rafael employees and service providers (external entities employed by Rafael directly or indirectly for the performance of certain tasks, projects or agreed upon services, including in consulting, supplies provision, human resources management, computing etc.) are obliged to avoid situations of conflict of interests.</p> <p>The company follows a code which defines such situations, which prescribes reporting of such case, its evaluation in the committee for deviations from the rule. The code includes the following:</p>

- Identification of a situation of conflict of interest by means of a questionnaire for all Rafael employees and service providers about their work and family liaisons or special connections in economy and society as a whole, or about connections to other competing entities, or by means of reporting to the superior employee in case of a suspicion for conflict of interest in the course of the work processes.
- If it is discovered that there exists a conflict of interests, the process of inquiring into the problem and its correct resolution shall be commenced, so that the suspicion is eliminated. The process shall be conducted by a committee dealing with conflicts of interests which is composed of three representatives: the general manager for human resources and organization, another top manager and the legal advisor of the company and another member of the executive who shall be appointed to deal with the matter by means of a letter of appointment from Rafael top executive.

The committee shall have the right to either approve the employment of a certain worker or transfer him to another task or another unit, or it can allow his engagement on the basis of a special permit; the decision shall be clarified and explained in writing and shall be adopted only provided that it is not contrary to morality, ethical integrity and due operation of the company.

[2] Rafael's Ethical Code (Document)

Accessed 24/03/2020

https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf

[p.22] Our Responsibility to Suppliers

We see our suppliers as partners, and work with them in a spirit of mutual trust, fairness and cooperation. We choose suppliers based solely on professional and practical criteria; transparently provide suppliers with the relevant information for preparing their tenders and with the rules according to which the selection of suppliers takes place, and give equal and fair opportunities to suitable suppliers. We maintain professional relationships with suppliers and refrain from creating any conflict of interest, such as engaging in a personal business and commercial relationship with a supplier.

[p.24] Refraining from Conflicts of Interest

We ensure that we are not in a state of conflict of interest and aspire to prevent even an appearance of a conflict of interest. Among other things, and accordingly, we:

- Provide full disclosure to managers in case of doubt or being in a conflict of interest, and distance ourselves from the activity until receiving the appropriate approval or decision on the matter.
- Refrain from receiving gifts and favors from suppliers, customers and other stakeholders.
- Grant business courtesies only in accordance with RAFAEL's procedures.
- Make sure to receive prior approval, in accordance with RAFAEL's procedures, for additional work, and ensure that there is no conflict of interest between our role at RAFAEL and our role at the other workplace.
- Refrain from personal, business and financial contracting and activity with an organization that competes with the company, with a customer or with a supplier.

[1] Anti-Corruption Policy (Document)

Accessed 18/06/2020

<https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf>

[p.3] Employees violating Company Policy are subject to disciplinary action, including possible termination of employment.

[p.12] Rafael follows applicable local laws and regulations regarding "cooling-off periods" related to hiring current or former Government Officials. Potential employment candidates for roles with higher risk, such as interacting with Government Officials, Finance/Accounting, and/or managing Business Partners, shall be screened prior to hiring.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
1
Comments
<p>There is some evidence that the company has a policy that addresses the risks associated with the employment of public officials. The company states that it follows local laws and regulations concerning cooling-off periods related to hiring current or former government officials.</p> <p>However, the company receives a score of '1' as it does not publish sufficient detail regarding specific controls to assess and regulate the employment of current or former public officials, such as requiring senior approval for the initiation of employment discussions or stipulating that any cooling off period must be for at least 12 months before such public officials are permitted to have any form of contact or relationship with their former organisation on the company's behalf.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.12] The Company has a process regarding the hiring of former Government Officials, in accordance with relevant law, which requires identification of potential conflicts of interest, prior to any offers of employment. Rafael also follows applicable local laws and regulations regarding "cooling-off periods" related to hiring current or former Government Officials. Potential employment candidates for roles with higher risk, such as interacting with Government Officials, Finance/Accounting, and/or managing Business Partners, shall be screened prior to hiring.</p>

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 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
2
Comments
The company publishes a clear statement that it prohibits corporate political contributions, whether made directly or indirectly. Since this evidence appears in the company-wide Anti-Corruption Policy, it is understood that this applies to all employees of the company including directors, third parties, suppliers and joint venture partners.
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf C. Charitable Donations and Political Contributions</p> <p>Rafael, as a government-owned company, generally is prohibited by the public administration rules of the State of Israel from making any donations to charities or governmental agencies and governmental instrumentalities, or making any political contributions of any sort.</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
N/A
Comments
There is evidence that the company prohibits corporate political contributions so the company is exempted from scoring on this question.
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
0
Comments
The company publishes a clear statement that it does not make charitable donations. However, the company receives a score of '0' because there is no evidence that it has a policy or procedure covering sponsorships, nor does the company publish a clear statement that it does not make sponsorships.
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf C. Charitable Donations and Political Contributions</p> <p>Rafael, as a government-owned company, generally is prohibited by the public administration rules of the State of Israel from making any donations to charities or governmental agencies and governmental instrumentalities, or making any political contributions of any sort.</p>

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
1
Comments
<p>There is evidence that the company outlines certain standards of conduct and oversight mechanisms that apply to all types of business partners, including lobbyists. The company states that it only conducts lobbying in the U.S., where it observes all the required registration and licencing conditions for lobbyists; however, there is no publicly available evidence that it has a policy that defines lobbying or responsible lobbying and that applies to all employees, board members and third parties lobbying on the company's behalf.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Directors, officers, and employees of the Company, its subsidiaries, affiliates, and other controlled entities, and agents and other third parties engaged by Rafael are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner.</p> <p>[p.15] Rafael expects its Business Partners and other third parties with which it does business to conduct business in a manner consistent with Rafael's ethical values. Rafael's highest risk Business Partners, including suppliers that interact with Government Officials on Rafael's behalf, must agree to comply with Rafael's policies and procedures or have their own policies and/or procedures that prohibit bribery, including facilitation payments; address conflicts of interest, gifts and hospitality; and provide for reporting and appropriate investigation of actual or potential misconduct.</p> <p>The Company shall not engage a Business Partner without a legitimate and appropriate business justification. Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation.</p> <p>The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery</p>

Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure. The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

[6] Social Responsibility Report 2017 (Document)

Accessed 24/03/2020

<http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF>

[p.118]

ציות

רפאל, כמו גם החברות והישויות הקשורות עימה, מאמינה בניהול עסקים תוך דבקות במוסר, בהגנות וביושרה. זו הייתה, וממשיכה להיות, מדיניות החברה בניהול פעילותה, ובמסגרתה ציות לחקיקה נגד שחיתות של מדינת ישראל ולאמנה נגד מתן שוחד של הארגון לשיתוף פעולה ולפיתוח כלכלי (OECD), כמו גם ציות לכל חוק רלוונטי נגד שחיתות של מדינה אחרת.

במסגרת זו הצהירה הנהלת רפאל על מחויבותה לנהל את עסקיה באופן מוסרי וישר, והצהרת מדיניות זו הוצגה על ידי מנכ"ל רפאל לכלל העובדים. בה בעת נוסחה מדיניות למניעת שחיתות שהיא גם תוכנית פעולה ליישום בכל דרגי החברה ובכלל זה בקרב שותפיה העסקיים. במסגרת מאמצי הציות של החברה מונה קצין ציות במעמד סמנכ"ל הכפוף למנכ"ל רפאל והוא מדווח גם לדירקטוריון החברה על יישום מאמצי הציות. לא היו קנסות או הרשעות של רפאל בנושא מתן שירות ללקוח ובנושא שימוש בלובינג, שדולה וכיו"ב במהלך 2015-2016. ככלל, רפאל לא מפעילה מאמצי לובינג, שדולה וכיו"ב למעט בארצות הברית, שבה נושא הלובינג מוסדר בהתאם לחוקי המדינה ותוך הקפדה על ציות לכללי רישום וקבלת רישיונות עבור מי שפועל בנושא זה.

Translation:

Compliance

Rafael along with the legal persons affiliated with it believes in conducting business morally and ethically. This always was and remains the company creed and in this context Rafael complies with anti-corruption legal regulations set by the State of Israel and with the OECD regulations on bribery and also with anti-corruption legislature of other countries.

Rafael declares to fulfil its obligations in order to conduct its business morally and ethically. This declaration was presented to all Rafael employees. At the same time it devised a policy to avoid corruption which includes also a plan to implement it on all the levels of the company and also among its business partners. In order to effectively perform in this sense, a Compliance Manager who has a high managerial position and reports to the Chairman of the Board of Directors and the Board has been employed.

Rafael was not fined or convicted in the context of service provision or lobbying in 2015 and 2016. Rafael doesn't employ lobbying in other places than in the US where lobbying is regulated by law, observing all the required registration and licencing conditions for lobbyists.

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 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
1
Comments
<p>There is evidence that the company has a policy on the giving of gifts and hospitality to domestic and foreign public officials, with procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. This policy establishes financial limits, along with an approval procedure, for the different types of promotional expense that employees may give to public officials.</p> <p>There is evidence that all gifts and hospitality given are recorded in a computerized system for managing business courtesies, however the company receives a score of '1' because it is not explicit whether this is accessible and reviewed by those responsible for oversight of the process. Furthermore, there is no publicly available evidence that the company's policy addresses gifts and hospitality given to individuals other than public officials, nor does it cover any procedures for the receipt of gifts and hospitality by company employees.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.12] B. Hospitality, Meals, Travel, and Gifts for Government Officials</p> <p>i. Introduction</p> <p>The Company has a strict policy with regard to giving anything of value to a Government Official, which, if done, must be provided and approved in accordance with this Policy, Rafael's Business Courtesies Policy, Rafael's procedure no. 22.00.01 regarding "Marketing Visits in Rafael," and procedure no. 00.00.14 regarding "Business Courtesies," attached herewith. In order to be appropriate (and therefore approved), any hospitality, travel expense, or gift for a Government Official must:</p> <ul style="list-style-type: none"> • with respect to travel, hospitality, and meals, be provided in connection with a bona fide and legitimate business purpose; • not be motivated by a desire to exert improper influence, or the expectation of reciprocity; • be reasonable and customary under the circumstances; • not be lavish; • be tasteful and commensurate with the standards of professional courtesy generally accepted by multi-national corporations; • never be cash or cash equivalents; and • comply with the local laws and regulations that apply to the government official. All such hospitality, travel expenses, and gifts must be reviewed in accordance with Rafael's Business Courtesies Procedure. When required, no hospitality, travel expenses, or gifts may be provided until the written approval required in the Business Courtesies Procedure, whether from the Compliance Officer, Finance, or other, is received. All hospitality, travel expenses, and gifts must be recorded accurately and transparently in the Company's books and records with sufficient detail and documentation to identify each recipient's name and title, the name and title of each beneficiary of the payment, and the purpose of the payment as set forth in the abovementioned policies. <p>[p.13] ii. Hospitality</p> <p>All hospitality, including meals and entertainment, provided for a Government Official must be reasonable and customary, and provided in the normal course of business. In addition, such hospitality expenses must be permissible under the applicable local laws and regulations. Lavish meals or inappropriate entertainment should always be avoided. The Company, or any employee acting on behalf of the Company, should make payment for such expenses directly to the restaurant, hotel, or other service provider.</p> <p>Red flags that can arise in connection with providing hospitality for a Government Official include, without limitation:</p>

- request or demand by a Government Official to go to a restaurant or other establishment owned or managed by his or her relatives and/or friends;
- request or demand by a Government Official to go to a restaurant or other establishment located in a faraway or unusual location; and
- food and/or drink prices that are disproportionately high when compared to such prices at similar establishments.

iii. Travel Expenses

All travel expenses provided for a Government Official, including the costs of transportation, lodging, meals, and entertainment in connection with business travel, must be reasonable and customary, based on a specific business need, and provided in the normal course of business. In addition, all such travel expenses must be permissible under the applicable local laws and regulations and must be limited to what is necessary to meet the business need. Acceptable business needs include, for instance, plant visits and inspections or negotiating contracts with the government. Lavish meals or inappropriate entertainment are never proper. The Company, or any employee acting on behalf of the Company, should pay such expenses directly to the airline, hotel, recognized travel agent, or any other provider of the service wherever possible and should inform Government Officials of this practice in advance. If it is necessary to reimburse legitimate travel expenses incurred by a Government Official, the Company must inquire into the permissibility of such reimbursement under applicable laws as well as governing regulations of the Government Official's agency or other governmental employer. Further, the Company must obtain receipts sufficient to document the expenses consistent with the Company's policies regarding reimbursement of employee expenses. The Company does not allow for the payment of *per diems* to Government Officials.

iv . Gifts

Gifts to Government Officials should be avoided unless specifically permissible under Rafael's Business Courtesies policy, local rules, and Rafael's procedure no. 00.00.14 regarding "Business Courtesies".

[4] Business Courtesies Policy (Document)

Accessed 28/08/2019

<https://www.rafael.co.il/wp-content/uploads/2019/06/Business-Courtesies-Procedure.pdf>

[p.1] 1. General

This Policy sets the rules and principles that apply to Rafael's employees and anyone acting on the Company's behalf, in relation to granting business courtesies to public employees, as defined in this procedure below. This is in accordance with Rafael's Code of Ethics, Rafael's compliance policy for the prevention of corruption, and the laws of the State of Israel, the OECD Convention on Combating Bribery of Foreign Public Employees in International Transactions (the OECD Convention), and accepted international standards.

2. Objective

Any business courtesy given to a public employee must be reasonable and acceptable, must be given in the scope of legitimate business activities, duly approved and fully recorded with accuracy in Rafael's books and in the computerized system for managing business courtesies (hereinafter: "the system"), as described below. Rafael's Compliance Officer (hereinafter: "the Compliance Officer") is responsible for the application of this procedure.

3. Scope and Definitions

This policy applies to all activities of Raphael or of anyone acting on its behalf in Israel or abroad. This policy applies also to the activities of Rafael's business partners, when the action is carried out explicitly on Rafael's behalf and/or directly financed or refunded by Rafael, against an invoice submitted by the business partner (hereinafter called together and separately: "The courtesy giver").

Definitions:

- 3.1. A business courtesy means an object or benefit provided free of charge or in exchange for less than its market value, including but not limited to: any gift, reimbursement of travel expenses, meals or lodging expenses, payment for tours, a job offer or assistance in obtaining an entry visa to any country (hereinafter: "Courtesy" or "Business Courtesy").
- 3.2. Business partner: A company or private person with whom Raphael makes an agreement to assist in promoting Rafael's marketing targets vis-à-vis customer(s) for products/systems, as well as trading and consulting companies whose role is to buy from Rafael and sell to customers and Offset agents.
- 3.3. A Public Employee is one of the following:

- 3.3.1. Official or employee of a government (foreign or Israeli) or an international public organization, or any department, unit or agency of such a government or organization
- 3.3.2. Official or employee of a company owned or controlled by a government
- 3.3.3. A political party
- 3.3.4. An official of a political party

[p.2]

- 3.3.5. A candidate for political office
- 3.3.6. A person acting in an official position on behalf of one of the above entities (whether paid or not)

Some examples of public employees include members of royal families, employees of state-owned universities, employees of the World Bank or the United Nations, and immigration and customs officials.

4. General Requirements

A permitted business courtesy is a courtesy given in the framework of legitimate business and/or marketing activity, in accordance with this procedure. In giving a business courtesy, the courtesy giver will consider, beyond the rules of this procedure and the applicable laws, how giving such a courtesy will look, so that it won't be interpreted as inappropriate. Without derogating from the generality of the foregoing, the business courtesy will comply with the following criteria:

- 4.1. The business courtesy must be reasonable in nature and quality and not wasteful or ostentatious when measured according to the criteria specified below.
- 4.2. The business courtesy will not be granted frequently, and the grant should be examined taking into account all the courtesies given to a particular public servant.
- 4.3. The business courtesy will be acceptable and appropriate to the circumstances and policy of Rafael for the prevention of bribery and corruption.
- 4.4. It is forbidden to give a refund or cash payment to a business courtesy recipient. No exception to this rule will be permitted.
- 4.5. The business courtesy will be given openly. and documented as such without any attempt to camouflage it as another expense.
- 4.6. The business courtesy will be given without a requirement of mutual obligation or remuneration from the recipient of the courtesy, either express or implied.
 - 4.6.1. The business courtesy will be given subject to applicable laws and regulations (see sections 5.1 and below), including:
 - 4.6.2. The laws of the country in which the business courtesy is given
 - 4.6.3. The permanent place of residence of the public employee
 - 4.6.4. Any contractual commitment between the Company and the organization of the public employee, where such obligation exists. If there is a contract between the parties, the terms of the contract will be subject to the applicable law

[p.3] 4.7. The following are examples of legitimate business events in which business courtesies are permitted:

- 4.7.1. A visit to Rafael sites for marketing or negotiation
- 4.7.2. Product demonstration
- 4.7.3. Business meetings
- 4.7.4. Training within the scope of implementing a contractual commitment
- 4.8. An executive, official, employee of Rafael, who gives a business courtesy to a public employee, must also meet Rafael's requirements for expense reporting.
- 4.9. In giving a courtesy, the justification and circumstances for its award, its monetary value and other relevant considerations, such as red flags that raise the suspicion of lack of fairness on the part of the recipient, will be taken into consideration.
- 4.10. As a rule, a business courtesy will not be approved for family members of the recipient of the courtesy, except in exceptional cases, which will be specified in the courtesy request and require the approval of the Division Director and the Compliance Officer.

5. Approval of Business Courtesies

- 5.1. The courtesy giver will submit the courtesy approval request in advance, using the system. The person with approval authority must verify and confirm in the system that the proposed business courtesy is reasonable and meets the limitations set out in this procedure. The Rafael Compliance Officer is authorized to refer the

courtesy request to the Legal Department for review, and to obtain its opinion regarding the compliance of the courtesy with the permitted rules, including the laws of the relevant countries, under section 4.7 above. Once a year, the Compliance Officer will verify that this procedure and its appendices are up to date.

6. Travel expenses

Travel expenses will be financed only for the purpose of a business meeting in which the recipients take part.

6.1. Flights

6.1.1. As a rule, it is possible to finance flights between the State of Israel and the country where the recipient of the courtesy has his permanent place of residence, and not flights to other destinations.

6.1.2. The recipient of the courtesy may extend his stay in the country where the visit was made, at his own expense and for a reasonable period of time in relation to the time of the business visit.

6.2. Land transportation

6.2.1. Rafael will pay for land transportation directly to the actual service provider and not to the recipient of the courtesy.

[p.4] 7. Meals

7.1. A permitted business meal is a courtesy given in the framework of legitimate business and/or marketing activity.

7.2. Any meal will be given after approval in accordance with Rafael procedure.

7.3. Any meal must be reasonable so that it won't be interpreted as inappropriate

8. Accommodation

8.1. Accommodation will be provided in a hotel of a business nature and in a business-like area.

8.2. Accommodation financing for the recipient will be possible until one night before the event that is the subject of the business meeting and up to one night after the event that is the subject of the business meeting.

8.3. No charges will be paid at the hotel for any accompanying person who is not the approved recipient.

8.4. The hotel will not be paid for additional expenses, such as laundry, ironing, spa and mini bar.

8.5. Breakfast can be included in the accommodation price.

9. Gifts

9.1. During the promotion of the marketing activity, Rafael presents its products and capabilities, in the scope of exhibitions, visits and various contacts with customers.

9.2. As part of the marketing activity and the Company's relationship with its customers and business partners, gifts can be given to the customer, as detailed in this section.

9.3. Without derogating from the generality of the aforesaid in the procedure and in this section, a public employee will not be given gifts in a cumulative amount exceeding NIS 450 per year.

9.4. On each visit, guests will not be granted more than one gift, even if the visit is managed by several divisions.

9.5. The Raphael logo will be stamped on every gift. It is important to ensure that it is stamped in a suitable place and aesthetically. If for any reason it is not possible to stamp the Rafael logo, the reason for this will be specified in the system.

9.6. A gift should be appropriate, dignified, acceptable and modest. No gifts related to leisure or recreation will be given.

9.7. In general, the gifts will be purchased through "framework orders" of the Marketing Division, according to the approved catalogs of the selected suppliers. The purchase of gifts must be approved by the entities that appear in the table in this section.

9.8. The Division's purchasing offices will receive the gifts from the suppliers, based on the "framework orders", within the limits of the gifts section in the Division's marketing budget.

9.9. Insofar as there is justification for a purchase in advance that is not part of the "framework orders", it will be documented in the system and approved by the appropriate authority, as detailed in the following table.

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 evidence that the company requires the involvement of its procurement department in the establishment or oversight of its supplier base.
Evidence
No evidence found.

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 due diligence when engaging and re-engaging with all business partners, which includes suppliers. There is evidence that the process includes obtaining ownership information for business partners, although the company does not specifically commit to establishing ultimate beneficial ownership. There is evidence that higher risk business partners are subject to enhanced due diligence and that the company states that it will not engage with a business partner if red flags highlighted in the due diligence process cannot be mitigated.</p> <p>However, while the company states that the due diligence process is conducted at least every two years or when there is a significant change in the business relationship for its highest risk business partners, it is not clear how frequently the company conducts due diligence on standard suppliers, i.e. those not identified as high risk.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Directors, officers, and employees of the Company, its subsidiaries, affiliates, and other controlled entities, and agents and other third parties engaged by Rafael are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business</p> <p>[p.15] Partners could be landlords, utility companies, or service providers to the Company, so long as they do not interact with any Government Official or governmental agency on behalf of the Company.</p> <p>Rafael expects its Business Partners and other third parties with which it does business to conduct business in a manner consistent with Rafael's ethical values. Rafael's highest risk Business Partners, including suppliers that interact with Government Officials on Rafael's behalf, must agree to comply with Rafael's policies and procedures or have their own policies and/or procedures that prohibit bribery, including facilitation payments; address conflicts of interest, gifts and hospitality; and provide for reporting and appropriate investigation of actual or potential misconduct.</p> <p>The Company shall not engage a Business Partner without a legitimate and appropriate business justification. Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation.</p> <p>The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or</p>

governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure.

The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.16] ii. Due Diligence of Business Partners

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes independently background information on its Business Partners, such as their corporate structure, ownership information, connections to Government Officials, conflict of interest, compliance program and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners. Due diligence is proportionate to the risks presented, including based on the activities or services provided, geographic risks, ties to Government Officials or entities, and any "red flags" identified. Rafael's highest risk Business Partners are subject to renewal, and related due diligence review, every two years or sooner if there is a material change to the relationship.

An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of red flags. Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.

In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:

- transaction involving a Government Official or Business Partner with a reputation for corruption, or who requests a payment or gift;
- transaction in a country or industry with a reputation for bribery or corruption;
- request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items, or false documentation;
- other than as strictly provided for in the controlling contract, a request by the Business Partner for payment "up-front" or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services);
- unnecessary third parties or multiple Business Partners performing similar functions;

[p.17]

- demand or strong suggestion by a government agency or Official that the Company retain a particular Business Partner;
- requests that payments be made to a third party;
- requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services;
- requests for payment in cash;
- requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee;
- requests for reimbursement of poorly documented expenses;

- incomplete or inaccurate information in required disclosures, including ownership / beneficial ownership, made by the Business Partner, or requests by the Business Partner for false invoices or other documentation;
- refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws;
- refusal to provide information requested during a due diligence review process;
- the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation;
- the Business Partner is owned by or employs a Government Official;
- one or more principals, beneficial owners of the Business Partner are related to a Government Official;
- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;
- Business Partner does not appear capable of performing the intended services, or there has been a pattern of misrepresentation or inconsistency; or
- Business Partner has a record or reputation for significant contributions to political parties or candidates for office.

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

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>There is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company states 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. There is evidence that the company takes active steps to ensure this, for example by requiring that all suppliers follow its own anti-bribery policies and procedures. The company states that it obtains written agreements from suppliers to comply with anti-corruption laws. The company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Directors, officers, and employees of the Company, its subsidiaries, affiliates, and other controlled entities, and agents and other third parties engaged by Rafael are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business</p> <p>[p.15] Partners could be landlords, utility companies, or service providers to the Company, so long as they do not interact with any Government Official or governmental agency on behalf of the Company.</p> <p>Rafael expects its Business Partners and other third parties with which it does business to conduct business in a manner consistent with Rafael's ethical values. Rafael's highest risk Business Partners, including suppliers that interact with Government Officials on Rafael's behalf, must agree to comply with Rafael's policies and procedures or have their own policies and/or procedures that prohibit bribery, including facilitation payments; address conflicts of interest, gifts and hospitality; and provide for reporting and appropriate investigation of actual or potential misconduct.</p> <p>The Company shall not engage a Business Partner without a legitimate and appropriate business justification. Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation.</p> <p>The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a</p>

Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure.

The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

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
0
Comments
There is no evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
No evidence found.

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 relating to its suppliers, or the associated disciplinary actions.
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>There is evidence that the company has a procedure to control the use of agents which addresses the corruption risks associated with their use and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. There is evidence the policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf <p>[p.4] B. Compliance Officer and Compliance Department Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.5] The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.</p> <p>[p.14] D. Compliance by Business Partners i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business Partners could be landlords, utility companies, or service providers to the Company, so long as they do not interact with any Government Official or governmental agency on behalf of the Company. The Company shall not engage a Business Partner without a legitimate and appropriate business justification.</p> </p>

The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will obtain a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure attached herewith.

The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must...

[p.15] ... follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

ii. Due Diligence of Business Partners

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes background information on its Business Partners, such as their corporate structure, ownership information, connections to Government Officials, and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners.

An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of "red flags." Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.

[...] The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel.

iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure. In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Agreements not based on or that deviate from the standard agreement must be approved by the Legal Department.

[p.17] A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to

the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

E. Subsidiaries and Affiliates

This Policy applies to each subsidiary and affiliate subject to Rafael's control. Each such entity must have in place a reasonable, risk-based compliance program. At a minimum for entities subject to Rafael control, such programs shall include:

- Code of Conduct based on a template provided by Rafael's Compliance Department or an equivalent;
- policies, procedures, or processes depending on the actual risks presented by the entity and reasonably designed to ensure compliance with this Policy and the relevant anti-corruption laws;
- designated Chief Compliance Officer reporting to the subsidiary/affiliate Managing Director / CEO, with professional guidance from Rafael's Compliance Officer;
- Business Partner procedures consistent with the actual risks presented by the entity and consistent with Rafael's DD and Monitoring Procedure, including:
 - due diligence process and criteria for classification of Business Partners, approved by Rafael's Compliance Officer;
 - high-risk Business Partners will include, at minimum, any with commission rates higher than 10%.
 - review committee, comprised of at least the Managing Director, Chief Compliance Officer and Chief Financial Officer / Chief Operating Officer; o Rafael Compliance Officer approval of high-risk Business Partners following review through Rafael's DD and Monitoring Procedure; and
 - standard contracts for Business Partners based on Rafael's standard contracts.
- Managing Director will report at least annually regarding compliance to the entity's Board of Directors;
- annual compliance-related training for relevant employees; and

[p.18]

- regular compliance-related communications between the entity's compliance function and Rafael's Compliance and Legal Departments.

For related entities that are not subject to Rafael's control, Rafael's Compliance Officer shall employ good faith efforts to implement a compliance program, including due diligence and monitoring for third parties, consistent with the above requirements. Rafael's Compliance Officer will consider and include as appropriate all subsidiaries and affiliates in the annual compliance-related plans, such as monitoring, training, and communications. In addition, Rafael's other functions, such as Internal Audit, also conduct activities designed to oversee subsidiaries and affiliates.

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
2
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging and re-engaging any business partners, which includes agents and intermediaries. The company states that due diligence may be adjusted for certain business partners based on the risks identified and recognises the risks associated with agents, indicating that agents and highest risk intermediaries are subject to enhanced due diligence. There is also evidence that the due diligence process is conducted at least every two years or when there is a significant change in the business relationship. Furthermore, the company's policy includes a commitment to not engage or terminate its engagement with business partners where the risks identified in the due diligence cannot be mitigated.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.15] The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure.</p> <p>The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.</p> <p>[p.16] ii. Due Diligence of Business Partners</p> <p>It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes independently background information on its Business Partners, such as their corporate structure, ownership information, connections to Government Officials, conflict of interest, compliance program and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners.</p> <p>Due diligence is proportionate to the risks presented, including based on the activities or services provided, geographic risks, ties to Government Officials or entities, and any "red flags" identified. Rafael's highest risk Business Partners are subject to renewal, and related due diligence review, every two years or sooner if there is a material change to the relationship.</p> <p>An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of red flags. Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.</p>

In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:

- transaction involving a Government Official with a reputation for corruption, or who requests a payment or gift;
- transaction in a country or industry with a reputation for bribery or corruption;
- request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items, or false documentation;
- other than as strictly provided for in the controlling contract, a request by the Business Partner for payment "up-front" or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services);
- unnecessary third parties or multiple Business Partners performing similar functions;
- demand or strong suggestion by a government agency or Official that the Company retain a particular Business Partner;
- requests that payments be made to a third party;
- requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services;

[p.16]

- requests for payment in cash;
- requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee;
- requests for reimbursement of poorly documented expenses;
- incomplete or inaccurate information in required disclosures made by the Business Partner, or requests by the Business Partner for false invoices or other documentation;
- refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws;
- refusal to provide information requested during a due diligence review process;
- the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation;
- the Business Partner is owned by or employs a Government Official;
- one or more principals or beneficial owners of the Business Partner are related to a Government Official;
- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;
- Business Partner does not appear capable of performing the intended services, or there has been a pattern of misrepresentation or inconsistency; or
- Business Partner has a record or reputation for significant contributions to political parties or candidates for office.

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

[p.18] iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
2
Comments
<p>There is evidence that the company has formal procedures to establish the beneficial ownership of agents prior to engaging them, and when there is a significant change in the business relationship. There is evidence that the company operates, as a minimum, a risk based beneficial ownership verification policy, whereby all agent provided information is independently verified. The company commits to not engaging or terminating its engagement with agents or intermediaries where ultimate beneficial ownership cannot be established.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.16] ii. Due Diligence of Business Partners</p> <p>It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes independently background information on its Business Partners, such as their corporate structure, ownership information², connections to Government Officials, conflict of interest, compliance program and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners.</p> <p>Due diligence is proportionate to the risks presented, including based on the activities or services provided, geographic risks, ties to Government Officials or entities, and any "red flags" identified. Rafael's highest risk Business Partners are subject to renewal, and related due diligence review, every two years or sooner if there is a material change to the relationship.</p> <p>An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of red flags. Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.</p> <p>In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:</p> <p>[...]</p> <p>² Rafael will not engage or terminate its engagement with agents or intermediaries if beneficial ownership cannot be established.</p> <p>[p.17]</p> <ul style="list-style-type: none"> • incomplete or inaccurate information in required disclosures, including ownership / beneficial ownership, made by the Business Partner, or requests by the Business Partner for false invoices or other documentation; <p>[...]</p> <p>The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the</p>

Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

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
<p>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 states that all agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, with clear audit rights and termination rights to detect, control and prevent breaches.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Directors, officers, and employees of the Company, its subsidiaries, affiliates, and other controlled entities, and agents and other third parties engaged by Rafael are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business</p> <p>[p.15] Partners could be landlords, utility companies, or service providers to the Company, so long as they do not interact with any Government Official or governmental agency on behalf of the Company.</p> <p>Rafael expects its Business Partners and other third parties with which it does business to conduct business in a manner consistent with Rafael's ethical values. Rafael's highest risk Business Partners, including suppliers that interact with Government Officials on Rafael's behalf, must agree to comply with Rafael's policies and procedures or have their own policies and/or procedures that prohibit bribery, including facilitation payments; address conflicts of interest, gifts and hospitality; and provide for reporting and appropriate investigation of actual or potential misconduct.</p> <p>The Company shall not engage a Business Partner without a legitimate and appropriate business justification.</p> <p>Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation .</p> <p>The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains</p>

provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure.

The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

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 evidence that incentive structures for agents are highlighted and addressed as a factor in bribery and corruption risk. The company lists a number of red flags which can lead to a termination of a relationship with business partners, which suggest that remuneration to agents is usually required to be paid in stage payments and into local bank accounts.</p> <p>However, the company receives a score of '1' as there is no evidence that it imposes a proportionate threshold on the payment of sales commissions to agents.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.5] The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year.</p> <p>[p.15] In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:</p> <ul style="list-style-type: none"> • transaction involving a Government Official with a reputation for corruption, or who requests a payment or gift; • transaction in a country or industry with a reputation for bribery or corruption; • request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items, or false documentation; • other than as strictly provided for in the controlling contract, a request by the Business Partner for payment "up-front" or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services); • unnecessary third parties or multiple Business Partners performing similar functions; • demand or strong suggestion by a government agency or Official that the Company retain a particular Business Partner; • requests that payments be made to a third party; • requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services; <p>[p.16]</p> <ul style="list-style-type: none"> • requests for payment in cash; • requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee; • requests for reimbursement of poorly documented expenses; • incomplete or inaccurate information in required disclosures made by the Business Partner, or requests by the Business Partner for false invoices or other documentation; • refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws; • refusal to provide information requested during a due diligence review process; • the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation; • the Business Partner is owned by or employs a Government Official; • one or more principals or beneficial owners of the Business Partner are related to a Government Official;

- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;
- Business Partner does not appear capable of performing the intended services, or there has been a pattern of misrepresentation or inconsistency; or
- Business Partner has a record or reputation for significant contributions to political parties or candidates for office.

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel.

[p.17] E. Subsidiaries and Affiliates

This Policy applies to each subsidiary and affiliate subject to Rafael's control. Each such entity must have in place a reasonable, risk-based compliance program. At a minimum for entities subject to Rafael control, such programs shall include:

[...]

- due diligence process and criteria for classification of Business Partners, approved by Rafael's Compliance Officer;
- high-risk Business Partners will include, at minimum, any with commission rates higher than 10%.

[p.21] iv. Means of Payment and Other Banking Considerations

It is the Company's policy that no corporate check shall be written to "cash," "bearer," or third-party designees of a party entitled to payment. Wire transfers should only be made to bank accounts in the name of the person/entity entitled to payment and not to a third-party account designed by such person. Other than fully documented petty cash transactions, no transaction in cash that is not evidenced by a receipt bearing signature of the recipient shall be made. In those situations, the recipient must also be the acting party in a fully documented business relationship with the Company, and never a customer or Government Official. Petty cash also is subject to review and audit at all Company locations, including overseas marketing offices, by the Marketing and Internal Audit Departments.

The person/entity entitled to payment must be the person/entity with which the Company has the documented business relationship. Additionally, the following banking related practices are prohibited under the Company's policy:

- use of numbered foreign bank accounts,
- bank accounts containing corporate funds but held in the names of individuals, and
- unrecorded petty cash or "black box" funds.

The Finance Department has internal controls designed to verify that the Company does not make cash payments, other than pursuant to 7.B.iii. or iv., or other unauthorized types of payments according to relevant Rafael Procedures and Policies.

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, bribery or corruption-related investigations, or the associated disciplinary actions involving 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
2
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence on all of its business partners, which includes joint venture partnerships. The company states that this includes obtaining ownership information for business partners, although the company does not specifically commit to establishing ultimate beneficial ownership. There is evidence that the company has provisions in place to identify high risk business partners and to conduct enhanced due diligence on business partners located in high risk countries, which is understood to apply to joint ventures. Furthermore, there is evidence that the company conducts anti-bribery and corruption due diligence when entering into a joint venture and repeated at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.4] B. Compliance Officer and Compliance Department Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: establishing and enhancing compliance policies and procedures, conducting a periodic Anti-Bribery and Corruption risk assessment to identify gaps and determine prioritized and practical remediation measures, reviewing data collected regarding Business Partners under the Due Diligence and Monitoring of Business Partners Procedure ("DD and Monitoring Procedure"), requiring supplemental due diligence in appropriate cases, opining on whether individual Business Partners should be retained, opining on requests to provide certain Business Courtesies, providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.5] The Compliance Officer, in consultation with the General Counsel, is also responsible for developing a comprehensive plan to monitor each aspect of the Company's compliance program, including the activities of subsidiaries, joint ventures, and Business Partners. The plan shall address areas to be monitored, mechanism of monitoring, frequency of monitoring, and to whom the results will be reported. The plan shall include various monitoring mechanisms, including in-person monitoring, that are tailored to the risks presented by the individual, entity, or activity subject to monitoring.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business</p> <p>[p.15] Rafael expects its Business Partners and other third parties with which it does business to conduct business in a manner consistent with Rafael's ethical values. Rafael's highest risk Business Partners, including suppliers that interact with Government Officials on Rafael's behalf, must agree to comply with Rafael's policies and procedures or have their own policies and/or procedures that prohibit bribery, including facilitation payments; address conflicts of interest, gifts and hospitality; and provide for reporting and appropriate investigation of actual or potential misconduct.</p>

The Company shall not engage a Business Partner without a legitimate and appropriate business justification. Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation.

The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure. The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.16] ii. Due Diligence of Business Partners

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes independently background information on its Business Partners, such as their corporate structure, ownership information, connections to Government Officials, conflict of interest, compliance program and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners. Due diligence is proportionate to the risks presented, including based on the activities or services provided, geographic risks, ties to Government Officials or entities, and any "red flags" identified. Rafael's highest risk Business Partners are subject to renewal, and related due diligence review, every two years or sooner if there is a material change to the relationship.

An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of red flags. Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.

In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:

- transaction involving a Government Official or Business Partner with a reputation for corruption, or who requests a payment or gift;
- transaction in a country or industry with a reputation for bribery or corruption;
- request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items, or false documentation;
- other than as strictly provided for in the controlling contract, a request by the Business Partner for payment "up-front" or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services);
- unnecessary third parties or multiple Business Partners performing similar functions;

[p.17]

- demand or strong suggestion by a government agency or Official that the Company retain a particular Business Partner;

- requests that payments be made to a third party;
- requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services;
- requests for payment in cash;
- requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee;
- requests for reimbursement of poorly documented expenses;
- incomplete or inaccurate information in required disclosures, including ownership / beneficial ownership, made by the Business Partner, or requests by the Business Partner for false invoices or other documentation;
- refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws;
- refusal to provide information requested during a due diligence review process;
- the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation;
- the Business Partner is owned by or employs a Government Official;
- one or more principals, beneficial owners of the Business Partner are related to a Government Official;
- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;
- Business Partner does not appear capable of performing the intended services, or there has been a pattern of misrepresentation or inconsistency; or
- Business Partner has a record or reputation for significant contributions to political parties or candidates for office.

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

[p.20] 7. Mergers, Acquisitions, and Other Business Combinations

Rafael shall conduct appropriate risk-based anti-corruption due diligence of the targets of all potential mergers, acquisitions, co-promotion agreements, and other significant business combinations. After completion of a merger,

acquisition, copromotion agreement, or other significant business combination, the new business or operations must be promptly integrated into Rafael's compliance program. This integration must include training of new employees and a requirement that the new business implement and comply with this Policy or equivalent. Where appropriate, new businesses will be incorporated into Rafael's internal audit schedule as soon as practicable.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
2
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. The company states that it includes anti-bribery and corruption clauses in its joint venture contracts, with clear audit and termination rights.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.16] ii. Contract Provisions</p> <p>Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure. In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Agreements not based on or that deviate from the standard agreement must be approved by the Legal Department.</p> <p>[p.17] A business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.</p> <p>iv. Monitoring</p> <p>Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.</p> <p>E. Subsidiaries and Affiliates</p> <p>This Policy applies to each subsidiary and affiliate subject to Rafael's control. Each such entity must have in place a reasonable, risk-based compliance program. At a minimum for entities subject to Rafael control, such programs shall include:</p> <ul style="list-style-type: none"> • Code of Conduct based on a template provided by Rafael's Compliance Department or an equivalent; • policies, procedures, or processes depending on the actual risks presented by the entity and reasonably designed to ensure compliance with this Policy and the relevant anti-corruption laws; • designated Chief Compliance Officer reporting to the subsidiary/affiliate Managing Director / CEO, with professional guidance from Rafael's Compliance Officer; • Business Partner procedures consistent with the actual risks presented by the entity and consistent with Rafael's DD and Monitoring Procedure, including: <ul style="list-style-type: none"> • due diligence process and criteria for classification of Business Partners, approved by Rafael's Compliance Officer; • high-risk Business Partners will include, at minimum, any with commission rates higher than 10%.

- review committee, comprised of at least the Managing Director, Chief Compliance Officer and Chief Financial Officer / Chief Operating Officer; o Rafael Compliance Officer approval of high-risk Business Partners following review through Rafael's DD and Monitoring Procedure; and
- standard contracts for Business Partners based on Rafael's standard contracts.
- Managing Director will report at least annually regarding compliance to the entity's Board of Directors;
- annual compliance-related training for relevant employees; and

[p.18]

- regular compliance-related communications between the entity's compliance function and Rafael's Compliance and Legal Departments.

For related entities that are not subject to Rafael's control, Rafael's Compliance Officer shall employ good faith efforts to implement a compliance program, including due diligence and monitoring for third parties, consistent with the above requirements. Rafael's Compliance Officer will consider and include as appropriate all subsidiaries and affiliates in the annual compliance-related plans, such as monitoring, training, and communications. In addition, Rafael's other functions, such as Internal Audit, also conduct activities designed to oversee subsidiaries and affiliates.

6. Mergers, Acquisitions, and Other Business Combinations

Rafael shall conduct appropriate risk-based anti-corruption due diligence of the targets of all potential mergers, acquisitions, joint ventures, co-promotion agreements, and other significant business combinations. After completion of a merger, acquisition, joint venture, co-promotion agreement, or other significant business combination, the new business or operations must be promptly integrated into Rafael's compliance program. This integration must include training of new employees and a requirement that the new business implement and comply with this Policy or equivalent. Where appropriate, new businesses will be incorporated into Rafael's internal audit schedule as soon as practicable.

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
2
Comments
<p>There is evidence the company commits to take an active role in preventing bribery and corruption in all of its joint ventures. There is evidence to support the company's commitment through examples of the controls it implements in its affiliate companies and the provision of training on anti-bribery and corruption to business partners.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.4] B. Compliance Officer and Compliance Department Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: [...] providing anti-corruption training to employees and Business Partners, and other related duties. The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.</p> <p>[p.16] ii. Contract Provisions Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure. In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Agreements not based on or that deviate from the standard agreement must be approved by the Legal Department. A</p> <p>[p.17] business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.</p> <p>iv. Monitoring Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.</p> <p>E. Subsidiaries and Affiliates This Policy applies to each subsidiary and affiliate subject to Rafael's control. Each such entity must have in place a reasonable, risk-based compliance program. At a minimum for entities subject to Rafael control, such programs shall include:</p> <ul style="list-style-type: none"> • Code of Conduct based on a template provided by Rafael's Compliance Department or an equivalent; • policies, procedures, or processes depending on the actual risks presented by the entity and reasonably designed to ensure compliance with this Policy and the relevant anti-corruption laws; • designated Chief Compliance Officer reporting to the subsidiary/affiliate Managing Director / CEO, with professional guidance from Rafael's Compliance Officer; • Business Partner procedures consistent with the actual risks presented by the entity and consistent with Rafael's DD and Monitoring Procedure, including:

- due diligence process and criteria for classification of Business Partners, approved by Rafael's Compliance Officer;
- high-risk Business Partners will include, at minimum, any with commission rates higher than 10%.
- review committee, comprised of at least the Managing Director, Chief Compliance Officer and Chief Financial Officer / Chief Operating Officer; o Rafael Compliance Officer approval of high-risk Business Partners following review through Rafael's DD and Monitoring Procedure; and
- standard contracts for Business Partners based on Rafael's standard contracts.
- Managing Director will report at least annually regarding compliance to the entity's Board of Directors;
- annual compliance-related training for relevant employees; and

[p.18]

- regular compliance-related communications between the entity's compliance function and Rafael's Compliance and Legal Departments.

For related entities that are not subject to Rafael's control, Rafael's Compliance Officer shall employ good faith efforts to implement a compliance program, including due diligence and monitoring for third parties, consistent with the above requirements. Rafael's Compliance Officer will consider and include as appropriate all subsidiaries and affiliates in the annual compliance-related plans, such as monitoring, training, and communications. In addition, Rafael's other functions, such as Internal Audit, also conduct activities designed to oversee subsidiaries and affiliates.

6. Mergers, Acquisitions, and Other Business Combinations

Rafael shall conduct appropriate risk-based anti-corruption due diligence of the targets of all potential mergers, acquisitions, joint ventures, co-promotion agreements, and other significant business combinations. After completion of a merger, acquisition, joint venture, co-promotion agreement, or other significant business combination, the new business or operations must be promptly integrated into Rafael's compliance program. This integration must include training of new employees and a requirement that the new business implement and comply with this Policy or equivalent. Where appropriate, new businesses will be incorporated into Rafael's internal audit schedule as soon as practicable.

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
1
Comments
<p>There is evidence that the company has a policy and procedure in place to address the corruption risks associated with offset contracting. There is also evidence that those involved in offsets ("offset facilitators") are required to adhere to the company's anti-bribery and corruption standards through appropriate contractual clauses. In addition, the company states that it provides tailored anti-bribery and corruption training to employees involved in offset arrangements.</p> <p>However, the company receives a score of '1' because it is not clear that this individual, or another body, department or team, is responsible for monitoring the company's offset activities throughout the lifecycle of each project. The company states that the Compliance Officer is responsible for monitoring relationships with all business partners, but it is not clear whether this individual holds responsibility for all aspects of the company's offset activities or if another body, department or team is involved.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.10] The Company will provide tailored training to members of the Board of Directors; senior and middle management; members of committees or groups with high risk responsibilities, such as those that approve Business Partners or offset arrangements [...]</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expediter.</p> <p>[p.18] iii. Contract Provisions Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure. In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.</p> <p>iv. Monitoring Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to</p>

the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

[p.19] E. Offset

Rafael strives to ensure that its offset transactions and similar local content requirements comply with all applicable laws and regulations, including anti-corruption laws, and this Policy. Rafael requires documentation of all offset agreements and projects to ensure proper review of all issues. Rafael's reviews and approves all proposed offset arrangements. Rafael will review any material changes to a previously approved offset arrangement.

At minimum, Rafael will review:

- A description of the proposed transaction, projected cost and rationale for the project;
- A description of the proposed contractual terms and copies of any proposed agreements, side letters, exhibits, and attachments; and
- A description of the parties involved in the transaction, including Business Partners and the outcome of corresponding due diligence, owners/beneficial owners of beneficiaries, and any potential conflicts of interest related to same.

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
2
Comments
<p>There is 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. There is evidence that this process specifically includes checks on the beneficial ownership of any offset brokers or beneficiaries, and any conflict of interest risks associated with the brokers or beneficiaries. As part of this process, the company's policy also commits to reviewing the legitimacy and rationale of its offset projects. Furthermore, the company states that its partners are monitored on an ongoing basis and that high risk partners are subject to due diligence every two years, which is understood to include offset obligations. There is also evidence that the company requests information on any material changes to any previously agreed offset obligations.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.3] Directors, officers, and employees of the Company, its subsidiaries, affiliates, and other controlled entities, and agents and other third parties engaged by Rafael are prohibited from directly or indirectly giving, promising, offering, or authorizing any third party to offer money or anything of value to a Government Official in an attempt to improperly influence the Official or obtain a benefit of any kind.</p> <p>[p.14] i. Introduction and Definition of Business Partner Any non-employee company representative can be considered a Business Partner. The term "Business Partner" is broadly interpreted to cover any third party who is interacting or will interact with Government Officials for or on behalf of the Company and may include, but is not limited to, any agent, consultant, joint venture partner, representative, lobbyist, lawyer, accountant, customs broker, freight forwarder, offset facilitator, supplier, and visa expeditor. Any person or entity authorized to interact with any Government Official or agency on behalf of the Company would likely be a "Business Partner." In general, Rafael does not engage third parties who are Government Officials or owned or controlled by a government or government official; however, if Rafael were to do so, the entity would be considered a Business Partner. Examples of non-Business</p> <p>[p.15] ... Partners could be landlords, utility companies, or service providers to the Company, so long as they do not interact with any Government Official or governmental agency on behalf of the Company.</p> <p>[...]</p> <p>The Company shall not engage a Business Partner without a legitimate and appropriate business justification. Moreover, all compensation paid to a Business Partner must comply with this Policy, not encourage corrupt conduct, and be reasonable and proportionate to the services or goods provided. Payments to Business Partners will not exceed the agreed compensation documented in an executed agreement and, where applicable, will be paid pro rata in accordance with payments received by Rafael. The Company will only make payments when supported by appropriate documentation .</p> <p>The Company has a process for retaining Business Partners. In particular, before entering into, renewing, amending, or terminating agreements with Business Partners, the Company is required to perform due diligence that is reasonable under the circumstances and to obtain the opinion of the Company's Compliance Officer and relevant functions, pursuant to the requirements of the DD and Monitoring Procedure. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any Government Official or governmental agency or other possible activity which could result in violations of Israeli anti-corruption laws, the OECD Anti-Bribery Convention, or other applicable law determines the type and level of due diligence and approval required, in accordance with the DD and Monitoring Procedure. After reviewing and approving a relationship with a Business Partner, the Company will execute a written agreement with each Business Partner that contains provisions that obligate the Business Partner to adhere to the requirements of Israeli law, the OECD Anti-Bribery</p>

Convention, and the local law in order to protect the Company and provide transparency into its relationship with the Business Partner, as further outlined below and as specified in the DD and Monitoring Procedure. The Compliance Officer may adjust the required due diligence for certain Business Partners. If the Compliance Officer determines that a specific Business Partner is relieved of the need for undergoing the due diligence review process, the Compliance Officer must follow the requirements described in the DD and Monitoring Procedure and keep records of all exemptions granted.

[p.16] ii. Due Diligence of Business Partners

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, the Company gathers and analyzes independently background information on its Business Partners, such as their corporate structure, ownership information, connections to Government Officials, conflict of interest, compliance program and certain banking information, in accordance with the DD and Monitoring Procedure, which describes Rafael's risk-based requirements for the review and monitoring of Business Partners. Due diligence is proportionate to the risks presented, including based on the activities or services provided, geographic risks, ties to Government Officials or entities, and any "red flags" identified. Rafael's highest risk Business Partners are subject to renewal, and related due diligence review, every two years or sooner if there is a material change to the relationship.

An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting of red flags. Red flags are circumstances that may indicate corruption. Although the presence of a red flag does not mean that a bribe already has been or will be paid or offered to be paid, it does mandate greater scrutiny and the implementation of safeguards against a violation of this Policy, Israeli anti-corruption law, the OECD Anti-Bribery Convention, and the applicable anti-corruption laws of other countries.

In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:

- transaction involving a Government Official or Business Partner with a reputation for corruption, or who requests a payment or gift;
- transaction in a country or industry with a reputation for bribery or corruption;
- request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items, or false documentation;
- other than as strictly provided for in the controlling contract, a request by the Business Partner for payment "up-front" or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services);
- unnecessary third parties or multiple Business Partners performing similar functions;

[p.17]

- demand or strong suggestion by a government agency or Official that the Company retain a particular Business Partner;
- requests that payments be made to a third party;
- requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services;
- requests for payment in cash;
- requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee;
- requests for reimbursement of poorly documented expenses;
- incomplete or inaccurate information in required disclosures, including ownership / beneficial ownership, made by the Business Partner, or requests by the Business Partner for false invoices or other documentation;
- refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws;
- refusal to provide information requested during a due diligence review process;
- the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation;
- the Business Partner is owned by or employs a Government Official;
- one or more principals, beneficial owners of the Business Partner are related to a Government Official;

- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;
- Business Partner does not appear capable of performing the intended services, or there has been a pattern of misrepresentation or inconsistency; or
- Business Partner has a record or reputation for significant contributions to political parties or candidates for office.

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

[p.18] iii. Contract Provisions

Once a relationship with a Business Partner has been approved, the relationship must be formalized through a written agreement setting forth all of the terms of the business arrangement. The agreement should include provisions that adequately protect the Company and increase the transparency and visibility of the Company into the Business Partner's activities and operations. Such provisions may include, but are not limited to, anti-corruption certification language, termination, indemnification, and triggered audit right provisions, in accordance with the DD and Monitoring Procedure.

In order to ensure that all legal requirements are adequately addressed, agreements with Business Partners should be based on standard agreements developed by the Legal Department prior to providing them to the Business Partner for execution. Rafael's standard agreements, require compliance with applicable anti-corruption laws and provide for termination for violations of these provisions. In addition, standard agreements with Rafael's highest risk Business Partners. Agreements not based on or that deviate from Rafael's standard agreements must be approved by the Legal Department. A Business Partner's reluctance to include appropriate provisions in the written contract also should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 7.B.ii. of this Policy, which references policies on entering into contracts and disbursing funds.

iv. Monitoring

Rafael must monitor on an ongoing basis each Business Partner. Monitoring should be risk-based and can include audits by the Company. The monitoring and auditing will be carried out for the purpose of ensuring that each Business Partner is complying with this Policy and its contractual obligations. Monitoring efforts shall be tailored to the operations and risks of each Business Partner. The Compliance Officer, overseen by and with the support of the Anti-Corruption Committee, is responsible for implementing appropriate monitoring for Business Partners.

[p.19] E. Offset

Rafael strives to ensure that its offset transactions and similar local content requirements comply with all applicable laws and regulations, including anti-corruption laws, and this Policy. Rafael requires documentation of all offset agreements and projects to ensure proper review of all issues. Rafael's reviews and approves all proposed offset arrangements. Rafael will review any material changes to a previously approved offset arrangement.

At minimum, Rafael will review:

- A description of the proposed transaction, projected cost and rationale for the project;
- A description of the proposed contractual terms and copies of any proposed agreements, side letters, exhibits, and attachments; and
- A description of the parties involved in the transaction, including Business Partners and the outcome of corresponding due diligence, owners/beneficial owners of beneficiaries, and any potential conflicts of interest related to same.

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 the company's 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
There is no evidence that the company publishes any details of its offset obligations and/or contracts.
Evidence
No evidence found.

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
2
Comments
<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets, and there is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The company's publicly available evidence indicates that the results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls.</p>
Evidence
<p>[8] Anti-Corruption Policy 2020 (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf</p> <p>[p.5] On an on-going basis, the Policy and all related procedures shall be reviewed and revised by the Compliance Officer, if necessary, taking into consideration, inter alia, findings of the Internal Auditor, risk assessments, violations of the Policy, and other factors impacting the risk profile of the Company or the effectiveness of this Policy. On an annual basis, the Compliance Officer will report to the Anti-Corruption Committee on the state of the compliance program and any recommendations to modify the program. The Anti-Corruption Committee will approve any such changes or recommend additional actions. In addition, the CEO of the Company shall annually issue a statement to the employees of the Company regarding the Policy and the activities under the Policy taken during the previous year. This statement shall then be posted on the Company's website.</p> <p>The Compliance Officer shall appear in front of and report to the Board of Directors of the Company periodically, and in any event at least once a year. Such report shall include, at a minimum: a list of agents retained by the Company over the previous year, the commission rates for such agents, commissions paid over the previous year, any additional Business Partners that have been reviewed by the Compliance Officer, any changes to the Company's risk profile, changes to the Compliance Program, reports on training and audits performed, due diligence exemptions granted to any Business Partners, the number of secondary due diligence investigations performed and their results, reports of any remedial actions taken, results of compliance-related monitoring activities, and any other issues that shall be deemed relevant by the Compliance Officer.</p> <p>At least every three years, the Compliance Officer shall perform a risk assessment of the Company's activities across its operations, in relation to anti-bribery and corruption risks. The primary objective of the corruption risk assessment is to better understand the risk exposure, including those arising from operating in different countries and using Business Partners, so that informed risk management decisions may be made. Such risk assessment shall commence by establishing a process. The assessment shall include at least the following steps: identification of the risks, rating the risks, mapping of existing controls to such risks, calculating the residual risk, and developing a plan of action to address such risks, which could include additional training, enhancing policies and procedures, or implementing additional controls, as necessary. The results of all such risk assessments shall be documented and presented to the Anti-Corruption Committee for its approval. The Anti-Corruption, Ethics and Compliance Handbook for Business (http://www.oecd.org/corruption/Anti-CorruptionEthicsComplianceHandbook.pdf) shall serve as a guideline for such risk assessment, and the Compliance Officer will take into account additional currently available guidance from credible international organizations and regulators. The Compliance Officer shall determine on a yearly basis whether a new risk assessment is required and present his determination to the AntiCorruption Committee.</p> <p>[p.16] In the context of relationships with Business Partners, red flags can arise in a variety of circumstances, including during a due diligence review, contract negotiation, contract performance, or termination of a relationship. As a result, Company employees who approve the retention of, or interact with, Business Partners must be alert for material changes to the Company's understanding of the relationship with a Business Partner and the risks</p>

presented by such a relationship or any circumstances that suggest any ethical or financial impropriety. The following is a non-exhaustive list of some of the red flags that can arise in transactions involving Business Partners:




- transaction involving a Government Official or Business Partner with a reputation for corruption, or who requests a payment or gift;
- transaction in a country or industry with a reputation for bribery or corruption; [...]

[p.17]

- the transaction with respect to which the Company has engaged the Business Partner is with a country that is considered challenging with regard to corruption issues, as shown by international benchmarks and reputation such as those published by Transparency International;

[...]

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur. Company personnel who learn of circumstances that suggest the possibility of corruption or that materially change the Company's understanding of the relationship with a Business Partner or the risks presented by such a relationship should report such red flags or circumstances immediately to the Compliance Officer or the Company's General Counsel. A red flag does not necessarily mean that Rafael cannot engage or renew its relationship with a Business Partner but each red flag must be appropriately addressed, which could require more frequent due diligence or other measures. Where substantial red flags cannot be mitigated, Rafael will not engage the Business Partner.

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
0
Comments
<p>The company publishes the corporate logos of its subsidiaries or affiliated entities and their relevant geographic region. However, the company receives a score of '0' because the company does not publish clear information about its subsidiaries and non-fully consolidated holdings, such as the percentage ownership, country of incorporation and countries of operation. There is also no indication that the list is current or updated on an annual basis.</p>
Evidence
<p>[5] Our Story – Rafael (Webpage) Accessed 25/03/2020 https://www.rafael.co.il/about/ Israel</p> <hr/>  <p>America</p> <hr/>  <p>Europe</p> <hr/> 

Far East



RAFAEL's INDIA Liaison Office



Australia



Question
9.3 Does the company disclose its beneficial ownership and control structure?
Score
1
Comments
<p>There is some evidence that the company is a state-owned enterprise owned by the government of Israel. However, the company receives a score of '1' because it does not provide publish clear information to indicate that the government of Israel is its sole beneficial owner.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.11] Rafael, as an Israeli government-owned defense company, is under the constant direct supervision of the Israeli Ministry of Defense, which, in its capacity, conducts comprehensive security screening on a regular basis for all of Rafael's potential candidates for employment.</p> <p>[2] Rafael's Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf [p.5] Our Uniqueness</p> <p>A governmental defense company, the largest employer in the north of Israel. A leading, R&D-intensive national laboratory and business company in Israel and worldwide.</p>

Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
0
Comments
There is no evidence that the company publishes information on its defence sales.
Evidence
No evidence found.

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
0
Comments
There is no evidence that the company publishes details of its shareholder voting rights. Although there is evidence to indicate that the company is government-owned, it is not clear from this statement that the government is the sole entity that holds shares or voting rights in the company.
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 18/06/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.11] Rafael, as an Israeli government-owned defense company, is under the constant direct supervision of the Israeli Ministry of Defense, which, in its capacity, conducts comprehensive security screening on a regular basis for all of Rafael's potential candidates for employment.</p> <p>[2] Rafael's Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf [p.5] Our Uniqueness</p> <p>A governmental defense company, the largest employer in the north of Israel. A leading, R&D-intensive national laboratory and business company in Israel and worldwide.</p>

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
1
Comments
<p>There is evidence that the state-owned enterprise publishes some information about its objectives. However, the company receives a score of '1' as there is no evidence that they are updated on at least an annual basis.</p>
Evidence
<p>[2] Rafael's Ethical Code (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf</p> <p>[p.4] RAFAEL's vision is to be a significant part of Israel's security; a global, innovative, growing and profitable company which develops, produces and supports combat systems on the front lines of operational needs and at the forefront of technology.</p> <p>[p.5] Our Mission</p> <p>To be a leader in the development of advanced, groundbreaking systems in the defense field, at the forefront of technology in Israel and worldwide; to continue to be a national center for defense research and development and a central part of Israel's capability to deter, defend and defeat. To be a leading, inspirational force of attraction for outstanding personnel in all of the company's fields of operation.</p> <p>[p.7] Commitment to the State of Israel's Resilience</p> <p>RAFAEL will continue to be committed to the security of the State of Israel and the Israel Defense Forces as a strategic customer. RAFAEL will always strive to maintain the State of Israel's clear military advantage in the region, and to foster the IDF's ability to deter and defeat its adversaries. At the same time, RAFAEL is also committed to Israel's social and economic resilience, to contribute to Israel's economy and to be a profitable company. RAFAEL will keep the main part of its activity in the north of Israel and will continue to be the largest employer in the north, aspiring to strengthen the economic and social resilience of the north of Israel.</p> <p>[p.8] "One Rafael"</p> <p>We will continue to grow as an organization that is fair to its employees, that respects each employee, whoever and wherever he/she is. We will serve as a professional home for our employees and as a source of pride for them and their families. We will cultivate the RAFAEL spirit, which reflects shared responsibility, teamwork, uncompromising quality and professional ethics.</p> <p>[p.9] The Customer Comes First</p> <p>We are committed to bringing significant value to our customers. We will be a leader in the development and production of defense systems, solutions and products that will help our customers in Israel and abroad to achieve technological and operational superiority and to fulfill their own objectives. We will develop systems for them that will address the challenges of the future. We will foster ongoing relationships with our customers, based on fairness, integrity and professionalism; we will learn and understand their challenges, requirements and intentions, and provide them with continuous service for systems procured from RAFAEL.</p> <p>[p.10] People at the Centre</p> <p>We believe that our employees are RAFAEL's most valuable resource and that they are the main strength and leverage for the organization's success. We are committed to creating for our employees a challenging and meaningful work environment that allows them to develop their capabilities over time, encourages their differences, cultivates their sense of belonging to the company, and appreciates them for their performance and successes. We are committed to providing them with the knowledge, tools, conditions and leadership necessary to fulfill their potential and success.</p>

[p.11] Cooperation as a Force Multiplier

RAFAEL will promote and encourage partnerships and integration of capabilities and products between divisions and branches, with other companies, with academia, and with our subsidiaries, and at the same time will continue to cultivate the differences and uniqueness of each unit in the company, as a vital basis for future breakthroughs. All this in order to achieve excellent business results based on the desire to maximize productivity in all fields – technological, business and operational – and to increase customer satisfaction. This combination of activities will take place through management and leadership that creates shared objectives, reduces barriers, increases transparency and prioritizes projects that combine capabilities and systems from a variety of fields.

[p.12] Excellence

We will strive to be the best in every field and we will not settle for less. We will maximize the full potential inherent in our employees and managers, and in our knowledge and capabilities, in order to attain achievements and to cope with future challenges. We will aspire to carry out every activity, with high quality and high standards, at cost and on time.

[p.13] Daring and Innovation

We will aspire to successfully cope with every new challenge. We will explore problems requiring a solution, we will be a leader in providing a valuable response, and we will sow the seeds of future success. We will strive to develop new knowledge; we will encourage personal skills, innovation, and creative, groundbreaking thinking. We will adopt changes that challenge our present level of success. We will learn from both our successes and our failures, and we will encourage leadership that is based on managerial courage and calculated risk-taking, based on the understanding that these will bring RAFAEL to new heights.

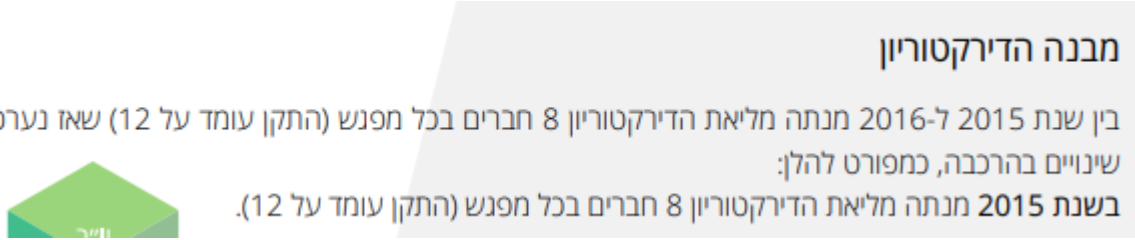
[7] Rafael Social Responsibility Policy Statement (Document)

Accessed 25/04/2020

<https://www.rafael.co.il/wp-content/uploads/2019/04/Rafael-Social-Responsibility.pdf>

Rafael, as a leading company in the field of Israel's national security, has also assumed national missions in the fields of social welfare, the economy, and science and technology, such as:

- * The development of technological-scientific infrastructures that have both defense and civilian uses;
- * Development and cultivation of human resources in the fields of science, technology and engineering at Rafael, in academic institutions and in schools;
- * Development and cultivation of a technological and manufacturing infrastructure comprising numerous suppliers and subcontractors, whom Rafael helps to advance their own social responsibility programs;
- * Providing employment opportunities, thereby populating and developing the Galilee by supporting and helping its population;
- * Encouraging Rafael workers to use their abilities to help the disabled by developing and installing technological aids;
- * Advancing neighboring populations that need empowerment;
- * Preserving the memory of the Holocaust and instilling the message of "Never Again" through the "From Holocaust to Rebirth" project.

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
0
Comments
There is no evidence that the state-owned enterprise makes information about its board members publicly available.
Evidence
<p>[6] Social Responsibility Report 2017 (Document) Accessed 24/03/2020 http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF [p.56]</p>  <p>מבנה הדירקטוריון בין שנת 2015 ל-2016 מנתה מליאת הדירקטוריון 8 חברים בכל מפגש (התקן עומד על 12) שאז נערכו מספר שינויים בהרכבה, כמפורט להלן: בשנת 2015 מנתה מליאת הדירקטוריון 8 חברים בכל מפגש (התקן עומד על 12).</p> <p>Translation:</p> <p>Between 2015 and 2016 the Board of Directors had 8 directors in each session {the regulation sets the number to 12}. They are: the Chairman of the Board, the Head of the Financial Committee, the Head of the Investment Committee, the Head of the Controls, Safety and Hygiene Committee, five additional directors, including one additional from 2016 onwards, and a supervisor appointed by the governmental Companies Authority.</p>

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
0
Comments
There is no publicly available evidence that the state-owned enterprise has an audit committee.
Evidence
No evidence found.

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
1
Comments
<p>There is some evidence that the state-owned enterprise has a system in place to manage asset transactions, which must be documented.</p> <p>However, the company receives a score of '1' as there is no evidence that responsibility for managing asset transactions is held at board level. It is also unclear whether asset transactions are subject to scrutiny by an audit body. There is no evidence that the financial results from asset acquisitions are made publicly available in the company's reports.</p>
Evidence
<p>[1] Anti-Corruption Policy (Document) Accessed 24/03/2020 https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf [p.18] Rafael's Finance Department has implemented a system of accounting and internal controls consistent with Israeli and international standards, and the Accounting Policy and related procedures are periodically reviewed and enhanced to maintain consistency with those standards and the risks faced by the Company.</p> <p>A. Record-Keeping</p> <p>Rafael's record-keeping practices are designed to ensure that transactions are controlled such that management objectives are met and corporate assets are properly accounted for. Records must be sufficient to allow preparation of financial statements in accordance with generally accepted accounting principles (GAAP) / International Financial Reporting standards (IFRS), including those employed in the foreign jurisdictions in which the Company reports. It is the Company's policy that each transaction and acquisition or disposition of assets by the Company must have proper authorization; must be timely recorded; must be accurately recorded in terms of amount, accounting period, and accounting classification; and must accurately reflect the substance and purpose of the transaction. No transaction shall be entered into that requires or contemplates the making of false or fictitious entries or records in whole or in part. No accounting balances shall be created or maintained that have no documentary support or that have no reasonable basis in fact. Adjustments to accounting records must follow established procedures, and, once finalized, documents are not to be altered. The Company's policy prohibits the maintenance of undisclosed or unrecorded funds or assets for any purpose, including that which disguises or misrepresents any aspect of a transaction.</p> <p>Documentation for all transactions must correctly represent not only the financial facts of the transaction itself but also such other information as may be necessary to give a reviewer a complete understanding of the significant aspects of the transaction. The record-keeping requirements are not limited to transactions above a certain value. Primary responsibility for the oversight of compliance with the record-keeping requirements is that of the Chief Financial Comptroller.</p>

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Anti-Corruption Policy	24/03/2020	https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf
02	Document	Rafael's Ethical Code	24/03/2020	https://www.rafael.co.il/wp-content/uploads/2020/03/kod_eti_eng_v_spread.pdf
03	Webpage	Corporate Policies	25/04/2020	https://www.rafael.co.il/corporate-policies/
04	Document	Business Courtesies Policy	28/08/2019	https://www.rafael.co.il/wp-content/uploads/2019/06/Business-Courtesies-Procedure.pdf
05	Webpage	Our Story - Rafael	01/09/2019	https://www.rafael.co.il/about/
06	Document	Social Responsibility Report 2017	24/03/2020	http://portal.rafael.co.il/Achrayut/DocLib2/%D7%93%D7%95%D7%97%20%D7%90%D7%97%D7%A8%D7%99%D7%95%D7%AA%20%D7%97%D7%91%D7%A8%D7%AA%D7%99%D7%AA%202017.PDF
07	Document	Rafael Social Responsibility Policy Statement	25/04/2020	https://www.rafael.co.il/wp-content/uploads/2019/04/Rafael-Social-Responsibility.pdf
08	Document	Anti-Corruption Policy 2020	18/06/2020	https://www.rafael.co.il/wp-content/uploads/2020/05/ANTI-CORRUPTION-POLICY33.pdf