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Transparency International
Defense Security
10 Queen Street Place
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United Kingdom

Subject: IAI's Response to Defence Companies Index (DCI) on Anti-Corruption and Corporate Transparency Assessment for 2020

Israel Aerospace Industries (IAI) is a 100% government-owned company with a 70-year tradition of excellence in developing and supplying state-of-the-art aerospace and defense systems, products and services, while maintaining a strong and stable culture of ethical conduct as an integral and critical element of IAI's business success.

IAI's management sees compliance and ethics as a top priority issue, and therefore, IAI has developed and implemented a robust anti-bribery and anti-corruption compliance program (see the English-language summary at: <https://www.iai.co.il/about/compliance>) and other policies concerning ethical conduct. These policies ensure business practices in line with both applicable law and ethical conduct and full awareness of all our employees and business partners.

Our policies focus in particular on areas identified as higher risk and are regularly updated both due to changes in applicable law and due to changes in 'best practices' in the global aerospace and defense industry. To this end, we consult regularly with outside experts in Israel and abroad.

Israel, as a member of the OECD, has implemented anti-corruption legislation with which IAI strictly complies. Moreover, since IAI's bonds are listed on the Tel Aviv Stock Exchange IAI is subject to a number of regulatory requirements which reinforce this culture of ethical conduct, including significant public reporting obligations.

While IAI recognizes the importance of transparency as a value and as a practical tool and expects to continue adding new materials to our website in the future, we do not believe that published information can or should be the sole basis for determining a company's success or effort in preventing corruption. Most of IAI's business is in the defense field which necessarily involves very sensitive customer information. Thus, we believe that IAI can be best measured by our culture in practice and our full policies in fact - rather than only by published information.

In conclusion, in our view, our culture and our policies do measure up successfully when viewed in the light of the best policies and practices of global aerospace and defense companies headquartered in OECD countries. That said, IAI will always work to do better and to learn from our experience and that of others, including as reflected in the results of this survey.

Sincerely,
Adi Hersztadt
Chief Compliance Officer