

March 20, 2019

Policy of Zero Tolerance for Bribery and Corruption

Israel Shipyards Ltd. is committed to conducting business honestly, according to the strictest principles of ethics, and based on an uncompromising policy of zero tolerance for bribery and corruption of any kind (hereinafter: the “**Policy**”).

Accordingly, the Company demands that all employees will act in an honest and proper manner, and prohibits any worker or officer of the Company to take any part, actively or passively, in acts of bribery and corruption.

In addition, the Company expects any representative, agent, broker, distributor, consultant, reseller, venture partner, supplier, contractor, advisor or any other business partner operating on behalf of or for the Company or partnering with the Company before a customer, potential customer or government authority (hereinafter: “**business partner**”) to implement a similar policy and refrain from taking any part, active and/or passive, in bribery or corruption.

The principles of the policy:

1. The Company has a policy of zero tolerance for acts of bribery and corruption. The Company and its employees will not take any part in acts of bribery or corruption, by act or omission, directly or indirectly.
2. The Company and its employees will follow all requirements of laws, contracts and standards to prevent bribery and corruption that apply to their conduct. The Company and its employees will follow all instructions and procedures of the compliance program, even when these impose standards that are stricter than the applicable law.
3. The Company will communicate the Company’s policy to all of its business partners.
4. To reduce the risk of involvement in acts of bribery and corruption, before engaging in a business relationship with a business customer, due diligence will be conducted in accordance with the provisions of the program. Any red flags that the due diligence reveals will be attended to before engaging with that business partner. Such due diligence checks will be repeated from time to time as stated in the program.
5. The Company will appoint a compliance officer, who will be responsible for finding, evaluating and reducing bribery and corruption risks through shaping of the procedures of the compliance program and overseeing its implementation. The compliance officer will report directly to the CEO and board of directors when necessary.
6. This policy will be communicated to all employees of the Company and published on the Company’s website.
7. The Company encourages any party to report to it any attempt, suspicion or actual violation of the principles of the policy and provisions of the program, and will implement an anonymous reporting channel alongside the provisions of the procedure that prohibit any repercussions for a party making such a report.
8. The management of the Company will prepare and implement a detailed plan for implementing this policy. The board of directors will be periodically updated on the implementation of the program and any change in it. Any significant change in the program will require approval of the board of directors.
9. The Company’s board of directors is aiming and acting towards constant improvement in implementing the principles of the policy and will therefore periodically evaluate the effectiveness of the provisions of the compliance program in achieving the prescribed goals and will direct the Company’s management and compliance officer to amend them as necessary.