



ISRAEL SHIPYARDS

Prevention of Corruption and Bribery Policy for Business Partners

Principles and Standards

REV A - November 2019

1. A policy of zero tolerance towards bribery and corruption

At Israel Shipyards we work daily for achieving our business objectives. While doing so, we conduct our operation in fairness, reliability and integrity to the highest standards of business conduct.

This is a Company long-lasting tradition and the chore of all its rules of ethics and business conduct.

According to this policy :

The Company states a clear conduct of zero tolerance for bribery and corruption, of any type

Provision or acceptance of a bribe or any other prohibited benefit to or from any party, including public officials, customers and Business Partners, is therefore strictly prohibited. Bribery and corruption contradict the values that we stand for.

This policy applies to all of the Company's actions and transactions in all countries of operation, by itself and through its Business Partners.

2. The Compliance Program

For implementing the Company's policy, a Compliance Program has been adopted in order to prevent bribery and corruption (the "Program"). The purpose of the Program is to ensure the compliance with the laws that prohibit corruption and provision and acceptance of bribes, in all countries in which the Company operates.

The adoption of the rules prescribed in the Program, reflects the Company's commitment to honest and fair behaviour in all business operations and to establishing appropriate norms to prevent bribery and corruption.

Through the adoption of these norms of conduct, with establishing clear procedures and control mechanisms, the Company intends to act fairly and ethically in its business opportunities. This document details the main principles of the Compliance Program and the aforesaid minimum requirements.

3. Applicability

The provisions of the Program apply to the directors, officers and employees of the Company and its Business Partners.

The Company is active in numerous countries around the world, requiring a good understanding of provisions of local legislation and practices related to prohibition of bribery and corruption. When the Compliance Program is stricter than the local legislation, the former should be followed.

The prohibition of involvement in bribery and corruption applies to activities related to the public / governmental sector, the business sector and in relation to any person who has any bearing on the Company's activity.

4. Definitions

The following definitions of the main terms apply for understanding the rules stated in this document, which follow their counterparts in U.S. law related to bribery prevention.

Bribery

Offering to pay, paying, promising to pay, or authorizing the payment of money or anything of value to a foreign official in order to influence any act or decision of the foreign official in his or her official capacity or to secure any other improper advantage in order to obtain or retain business.

Public or governmental official

Any officer or employee of a government or any department, agency, or instrumentality thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of any such government or department, agency, or instrumentality, or for or on behalf of any such public international organization.

Examples of public or governmental official can be:

- Government employee
- Government agency representative
- International organization representative
- Political party representative
- Political office candidate
- Members of a royal family
- State-owned enterprise employees
- Official of a government-controlled entity

5. Binding Principles and Standards

5.1. Provision of Gifts, Hospitality and other benefits

In many cultures, establishment of business relationship involves provision or acceptance of gifts and hospitality. However, provision or acceptance of gifts and other benefits may have biased influence on the judgment of the receiver, related to business decisions. Hence, such provision may be considered unfair or inappropriate business conduct or even bribery.

Therefore, provision of gifts must be carried out in accordance with the provisions of the Compliance Program, and must be carried out reasonably, openly and in good faith, in order to eliminate any risk of improper or illegal business conduct.

You must be familiar with the laws and regulations applying in the country in which you operate, covering the provision of benefits to governmental entities, including the maximum value of a benefit that may be given and whether it is necessary to receive approval from an official party before granting the benefit.

Under this clause, gifts and benefits include: tangible gifts, hospitality, payments, donations, loans, use of infrastructures and facilities, sponsorship and other benefits. This guidance, which applies to any gift, benefit or hospitality granted, also applies to relatives and associates of customers and Business Partners.

Rules for provision of gifts:

- Provision of gifts will be carried out in a modest value, in the frame of acceptable business relations with the receiver.
- The gift shall be provided openly and in good faith based on acceptable business norms and the laws in the country they are provided.
- A gift in cash or cash equivalents (gift coupons) is strictly prohibited.
- Provision of gifts which aim to obtain an unfair advantage or to encourage inappropriate action is strictly prohibited.

Hospitality rules:

- Business hospitality may be offered to organization or individuals, subject to clear business rational.

- Hospitality may include accommodation, flights, other travel costs, meals, cultural events and entertainment and other marketing actions whose purpose is to establish business relationships.
- The hospitality class should be reasonable in the circumstances of the professional visit.
- Hospitality costs should not exceed the duration of the visit, based on visit purpose and reasonable travel schedule.
- Paying for the hospitality of family members and associates of government officials is prohibited.
- Hospitality costs covered by the company, shall not contradict the rules and laws which are applicable to the guest country of origin, the organization the guest belongs to or its employer.
- Hospitality that includes financing of trips and accommodation, the invitation of the guest should be announced to his supervisor before the hospitality takes place.

5.2. Donations

Anti-bribery and Anti-corruption laws do not prohibit charitable donations, however, misuse of these donations as a form of bribery and corruption acts are strictly forbidden.

According to the Compliance policy, a donation intended to influence a public official illicitly to make a decision that benefits the Company is prohibited.

The Company forbids granting of donations to political parties, political organizations or political candidates. To the extent that such donations are made, you must make sure that (1) such a donation is not readily identifiable as being a donation on behalf or for the Company; (2) there is no reasonable concern that this donation will illicitly influence an action of a third party benefiting the Company and there is no reasonable concern that it will be interpreted as such.

5.3. Facilitation payments

Facilitating payments (sometimes known as advancement or “lubrication” payments) are payments that are usually made to a low level public officials for securing / accelerating a routine action that the payer has a right to have done in any case (such as issuing a visa or receiving a work permit).

Payments of this kind are prohibited under Israeli law and the Company’s procedures.

5.4. Engagements with governmental entities

Naturally, activity with governmental entities is expected, as most of the Company's customers are governmental entities.

Such interaction must be kept professional and should not cross the line of unethical interaction, for example:

- A business interaction with a public official that is detached from his official function must not be maintained.
- A public official must not be employed, paid or unpaid.
- No grants are allowed to a government entity for promoting Company's interests.
- Sharing of income from business activity with a public official is prohibited.
- No payment or other benefit is to be provided to a governmental entity directly or indirectly to promote the Company's business.

The provisions above apply to connections with governmental officials and their relatives.

6. Interaction with Business Partners

Within the marketing activity, the Company establishes cooperation with Business Partners who have an active role in promoting and executing its business in various countries around the world.

The Company considers its Business Partners to be ambassadors around the world. The cooperation with Business Partners should be based on business integrity, transparency and mutual respect.

As part of the zero tolerance for bribery and corruption acts, the Company expects its Business Partners to act in good faith while complying with all relevant laws and fully avoiding any illegal act or which contradicts moral norms within the promotion of its interests.

The rules underlying cooperation with Business Partners follows:

6.1. Due diligence

We conduct periodical due diligence checks of Business Partners we cooperate with. The purpose of the checks is to make sure that the engagement with the Business

Partner is free of bribery and corruption risk exposure. Such cooperation will only commence after we are satisfied with the propriety of the check.

6.2. Familiarity with and implementation of the requirements of the Compliance Program

Almost every country has a legal framework related to anti-bribery and anti-corruption regulation. The marketing activity of Business Partners must be subject to the provisions of law in the country in which they operate. Business Partners are required to be familiar with these provisions of law, particularly those dealing with bribery and corruption, and follow them in the pursuit of the Company's interests. In addition, Business Partners are required to be familiar with the provisions of this document that include the Company's compliance policy.

6.3. Training and awareness

Within the familiarization with the Company's compliance policy, we train employees and Business Partners on this policy. You are requested to allocate the time and resources required for conducting this training and for reading the provisions of law mentioned above.

In addition, you are required to inform your employees and other parties acting on your behalf of this compliance policy and ensure that they follow it.

6.4. Record management

In order to establish and ensure our compliance with the requirements of the Compliance Program and provisions of law, you are required to make sure to keep records and documentation of information, files and documents pertaining to pursuing the interests of the Company, particularly payments, granting gifts, hospitality and benefits, with emphasis on interaction with governmental agencies.

It must be ensured that the information recorded in the documents and files is a faithful representation of the business affairs at hand. No action whose purpose is to conceal or change information in official documents is allowed.

6.5. Third parties operating on behalf of a promoting party

In case you sub-employ other third parties, you must notify the Company of this and receive its prior acceptance.

Once the acceptance was provided, you must provide them with this compliance policy and ensure that they follow it.

6.6. Reporting and raising concerns

This compliance policy covers an extensive part of the interfaces with customers and governmental entities that have potential for compliance risk.

The Company encourages raising concerns related to business ethics and integrity by employees and Business Partners, in order to allow the Company to make sure that it follows the laws and practices for prevention of bribery and corruption.

If you encounter a dilemma or question related to bribery and corruption prevention, you are encouraged to contact the Company directly at the following address:

compliance-report@israel-shipyards.com

6.7. Failure to follow the compliance policy

Strict compliance with the Company's ABAC policy by its employees and Business Partners is a foundation for its activity. Violation of the compliance policy may result in criminal procedures, fines, reputational and other damage.

In case the Company will become aware of any violation of this policy, it is entitled to conduct an investigation on the violation and the circumstances that led to it.

We expect you to cooperate fully in any investigation undertaken by the Company.

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Israel Shipyards thanks you for taking the time to read this Compliance Policy summary. The Company appreciates the long term cooperation with its Business Partners, engaging in productive business activity while uncompromisingly following business ethics and integrity rules.

We would be happy to be at your disposal should you have any question on the subject.