



## ANTI-CORRUPTION COMPLIANCE POLICY OF CARDO

### 1. Anti-Corruption Policy Statement

It is the policy of Cardo Systems, Inc. (“Cardo,” “We,” or the “Company”) to comply with all applicable anti-corruption laws and regulations in all countries in which the Company does business; and uphold our zero-tolerance position on bribery and corruption. The Company is committed to carrying out its business worldwide ethically. Our policies and procedures must be followed, even if doing so may, on occasion, result in losing business. As failing to follow can put our reputation, as well as our long term financial health, at risk. All employees and other persons or entities working on behalf of Cardo, regardless of their function, share the responsibility and accountability for complying with all applicable laws and regulations and this policy.

Any member of staff, including directors, who knowingly infringes this policy or withholds information concerning an infringement will be the subject of disciplinary proceedings, which may result in summary dismissal. Such behaviour may also be reported to the relevant authorities.

Any questions concerning this policy should be immediately referred to Cardo’s Compliance Officer. Please note that the Compliance Officer is the chief financial officer (“CFO”) provided that if CFO is unavailable or personally involved in the matter at issue, the “Compliance Officer” shall be the Company’s chief operating officer (“COO”), The Compliance Officer may designate certain responsibilities and supporting functions to personnel working under his authority.

Signature

Date

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### 2. Introduction and Scope of Policy

**As described in more detail below, all Covered Persons are strictly prohibited from offering, paying, soliciting or accepting bribes or kickbacks, including facilitation payments.**

This policy specifically intended to ensure compliance with all applicable laws and regulations including, the Israeli Penal Code of 1997 the US Foreign Corrupt Practices Act (FCPA) and the UK’s Bribery Act of 2010.

This Policy is mandatory and applies to all directors, officers and employees of the Company, all contractors who devote all or substantially all of their time to Cardo, and any persons authorized to act, directly or indirectly, on the Company’s behalf, such as Third Party finders, Agents, representatives, and temporary personnel (collectively, “Covered Persons”). For the avoidance of doubt, the Company expects all channel partners (such as resellers, distributors and dealers), brokers, finders, agents, consultants, subcontractors and other third parties that may act on the

Company's behalf (the Company's "**Business Associates**") to comply with applicable anti-corruption laws as well as the principles set forth in this Policy.

Violations of this policy may constitute violations of applicable anti-bribery and Anti-Corruption Laws and may subject the Company and Covered Persons to serious penalties, including fines and even imprisonment. Violations of this Policy may also result in disciplinary actions, if and as permitted under applicable law. Violations of applicable laws and regulations and/or contractual terms by Business Associates may result in termination of the business relationship

Anti-bribery laws and regulations can be complex. This Policy enables Covered Persons to recognize when issues arise; avoid prohibited conduct where the issues are clear; and promptly seek guidance where they are not. The Company expects that all Covered Persons will do their best to become familiar with this Policy and abide by the principles set forth in it. If there is any doubt as to whether an activity you want to engage in might violate the Policy, you should always discuss it with the **Compliance Officer** in advance.

It is the responsibility of every Covered Person to not only seek such advice in advance of taking any action that in his or her mind raises a possible issue, but also to report any suspected violations. The Company will make every effort to keep confidential the identity of any person who makes such a report. Complete confidentiality may not be possible in every case, particularly where investigation and regulatory reporting may be required. Nonetheless, the Company will not permit retribution, harassment, or intimidation of any Covered Person who in good faith makes any such report.

In furtherance of this Policy, the Company may also require periodic compliance training and testing. Failure to participate may itself be deemed a violation of the Policy.

### **3. Risk Assessment**

This Policy is founded on a regular corruption risk assessment. The risk assessment process is the key to the Policy's effectiveness. The Compliance Officer will conduct risk assessment on a regular basis, and at least once a year, and identify the potential risks. The conclusions of the risk assessment will be forwarded to the Board and management for further discussion. This process will be documented for future use.

After assessing the risks, the Compliance Officer will prepare a report determining their likelihood and potential severity. The report will be submitted to the Board and management, and a discussion will be held by the Compliance Officer, the Board and management to decide which risks it plans to take and which it would prefer to avoid.

### **4. Relevant Laws**

Anti-bribery laws exist in most countries around the world. The Company is active in numerous markets, requiring compliance with the anti-bribery laws of many jurisdictions. This includes: Applicable Israeli law and other anti-bribery laws throughout the world applicable in the countries in which we do business. **Annex A** to this Policy includes a detailed review of most relevant laws.

## 5. **What is Bribery?**

Bribery usually involves giving or offering money, a gift or something else of value to someone in business or government in order to obtain or retain a commercial advantage or to induce or reward the recipient for acting improperly or where it would be improper for the recipient to accept the benefit. Bribery can also take place where the offer or giving of a bribe is made by or through a third party, i.e. an agent, representative or intermediary. Both the giving and receiving of bribes is prohibited in most jurisdictions. Bribes often involve monetary payments (or the promise of payments), but can include other benefits or advantages. For example, bribes could include:

- lavish gifts, entertainment or travel expenses, particularly where they are disproportionate, frequent or provided in the context of ongoing business negotiations;
- Cash payments by employees or third persons such as consortium members, introducers or consultants;
- The uncompensated use of company services, facilities or property;
- Loans, loan guarantees or other extensions of credit;
- providing a subcontract to a person connected to someone involved in awarding the main contract;

## 6. **Prohibition of Giving Bribes**

Covered Persons are prohibited from offering, promising, giving, providing, or authorizing, whether directly or indirectly, the provision of anything of value to obtain or retain business, an improper advantage, or favored treatment from any Third Party (including Government Officials as detailed below), or any other person with whom the Company does or anticipates doing business.

The Company prohibits all forms of Bribery, *directly and indirectly*, by a Covered Person. Indirect bribes could be made through a Business Associate or another party (or in any other manner that is intended to circumvent or obscure direct Bribery).

Even if bribes are considered customary and an accepted way of doing business in a particular country, the Company prohibits bribes under this Policy and has zero tolerance for such conduct. This prohibition includes bribes that have not fully effectuated, offering a bribe that was never accepted or never paid, or a bribe that failed to achieve its objective and would be considered a violation of this Policy.

## 7. **Prohibition of Accepting Bribes**

Similarly, Covered Persons are prohibited from soliciting, receiving, or authorizing, whether directly or indirectly, the receipt of an item of value from anyone, including Business Associates and other Third Parties, doing business with or seeking to do business with the Company, for the

purpose of obtaining an improper advantage with the Company or having an improper influence over a Covered Person's judgment.

Covered Persons must also be mindful when receiving Courtesies that they do not create undue Third-Party influence (or the perception of improper Third-Party influence).

## **8. Government Officials**

Covered Persons are specifically prohibited from offering, promising, giving, or authorizing the giving of, an item of value, whether directly or indirectly, to Government Officials without the prior written approval of the Compliance Officer.

### **Who is a Government Official?**

The reference to Government Officials include any of the below as well as any such official as defined by any relevant legislation:

- Officers and employees of government agencies and departments of all levels, including anyone who holds a military, law enforcement, legislative, administrative or judicial position (including but not limited to arbitration) of any kind, whether appointed or elected. Diplomats (embassy and consular staff) also fall under this category;
- Officers or employees of a state-owned or state-controlled company, regardless of the officer's or employee's rank or title;
- Individuals hired to review or accept bids for a government agency;
- Anyone who exercises a public function or acts in an official capacity on behalf of a country or territory or subdivision of a country or territory (e.g. local governments, local education authority), or any public agency of that country or territory;
- Officers, employers, employees and anyone who exercises a public function for or acts in an official capacity on behalf of a government instrumentality (including government owned or controlled companies) of a country or a territory;
- A Government Official may also include any executive, officer, agent or employee acting in a business (even if privately owned) providing a service to the general public;
- Officials or employees of public international organizations (e.g., the United Nations , the World Bank) and any person holding a public office or exercising a public function for a public international organization;
- Members of royal families;
- Uncompensated honorary officials who have influence in the award of business;
- Any officer, employee or person acting in an official capacity on behalf of a political party;

- Candidates for political office;
- Spouses and other immediate family members of any of the persons listed above

### **If any doubt, contact the Compliance Officer**

Covered Persons and Business Associates should be mindful that there are certain jurisdictions where commercial enterprises are heavily influenced – and heavily financed – by the government. In those markets, there are many state-owned or - controlled entities, even if autonomously operating as for-profit businesses, and therefore many Government Officials (*i.e.*, their employees). If a Covered Person is unable to definitively determine whether a certain entity should be considered governmental, he/she must promptly contact the Compliance Officer.

### **Facilitation Payments**

Facilitation payments are payments made directly or indirectly to a Government Official for the purpose of expediting or securing the performance of a routine non-discretionary governmental action, such as expediting licenses or scheduling (but not approving) inspections. Facilitation payments are typically, but not always, demanded by low level and low income Government Officials in exchange for providing services to which one is legally entitled without such payments.

Covered Persons are expressly prohibited from making or authorizing facilitation payments, directly or indirectly, regardless of local law or custom. This Policy prohibits facilitation payments even where they have been requested or demanded by a Government Official or if the Government Official threatens adverse action against Cardo unless a payment is made. Any such incidents must be reported immediately to the Compliance Officer and no further action is to be taken until the Compliance Officer has confirmed what actions are to be taken. There may be very exceptional circumstances where a facilitation payment is unavoidable (e.g. because of a threat to, or otherwise the impact on, an individual's personal wellbeing or safety). Any such payments must immediately be brought to the attention of the Compliance Officer and must be properly accounted for.

## **9. Gifts and Hospitality**

We will not be influenced by gifts or favors of any kind, nor will we use gifts or entertainment to influence our customers or potential customers. Cash is not to be given nor received. It is never acceptable to solicit gifts, gratuities or business courtesies for the benefit of a Company employee, family member or friend.

The exchange or provision of modest gifts and hospitality may foster goodwill in business relationships. However, they must be strictly limited in value and frequency, in keeping with customary business practice and in accordance with all applicable laws.

Covered Persons must not request, accept, offer or provide gifts or hospitality designed to induce, support or reward improper conduct including in connection with any business or anticipated future business involving the Company: for example, where they might be seen to compromise the receiver's judgement and integrity. This requirement extends to the provision or acceptance of gifts or hospitality through any third parties or to or by members of the family of an employee of

an actual or a potential customer. In addition, employees must not provide gifts, hospitality or any other advantages to potential customers or government officials at their own expense.

This includes gifts to charities or other organizations in which the recipient or a family member is or might be involved.

### **What constitutes a gift or hospitality for the purposes of this Policy?**

Anything of value – a non-exhaustive list would include, gift certificates, prizes, discounts, loans, travel expenses, stocks or other securities and use of facilities e.g. a holiday home.

### **When are gifts or hospitality acceptable?**

Covered Persons should use their own judgment to assess what is acceptable, taking account of this Policy and the requirements for approval below. Modest gifts and hospitality may usually be offered or accepted provided there is no expectation or belief that something will be given in return.

#### Modest gifts and hospitality may include:

- Small gifts, including gifts of nominal value such as calendars, diaries, pens and other small promotional items such as samples;
- Occasional modest meals with people with whom you conduct business;
- Necessary and reasonable travel and accommodation expenses in connection with legitimate business trips. Useful tests for determining the inappropriateness of a gift (including in this respect meals, entertainment, travel and accommodation) are:

(1) If the gift would create embarrassment or obligation for the giver or receiver, or

(2) If the action could not stand up to public scrutiny.

When receiving gifts or other forms of hospitality, Covered Persons must ask themselves whether one purpose of the gift/hospitality is intended to influence, or appear to influence, business decisions and would thereby compromise their ability to act in the best interests of the Company.

Where gifts or hospitality do not fit into the above categories, or you are not sure whether they fit or are otherwise appropriate, Covered Persons must seek prior approval from their direct manager or the Compliance Officer before accepting the gift or hospitality.

Covered Persons must **always** seek prior approval for:

- Any gift whose value exceeds \$50; or
- Entertainment/hospitality (e.g. a meal, invitation to a show, business trip expenses or a combination of these activities) that exceeds \$75.

The CEO and Compliance Officer will determine the threshold values referred to above from time to time and such values will be communicated to the Covered Persons in writing.

Even if the gift is less than nominal value, Covered Persons should only accept it if it is consistent with common business practice. As well as considering the proportionality and intent behind the proposed gift or hospitality, Covered Persons should also consider the frequency and appropriateness of timing. Relatively modest gifts and hospitality that are given/received frequently or, for example, during a contract negotiation period could be perceived as inappropriate. Therefore, even where a particular proposal does not exceed the approval threshold, Covered Persons must satisfy themselves that it is not appropriate or prudent to seek approval and direct managers will also bear such factors in mind when approving expenses.

Any offer to Covered Persons of a gift or other forms of hospitality that exceeds nominal value, or that seems inconsistent with common business practices, should be immediately reported to the Compliance Officer as well as the Covered Persons' direct manager.

There are certain cases where gifts and hospitality are **never acceptable**, namely:

- Gifts of cash or equivalents (e.g. gift certificates, loans, shares or share options);
- Gifts and hospitality that are indecent, inappropriate or would damage the Company's integrity or reputation;
- Gifts and hospitality that breach any local law or regulation; and
- Gifts and hospitality that the recipient is not permitted to receive by their employer/ principal. If there is any room for doubt in this regard, written notice of the intention to make the gift or offer the entertainment/hospitality should be given to the recipient or the recipient's employer/principal to enable them to advise in advance if acceptance by the recipient would contravene any applicable policies/local law.

Covered Persons are also prohibited from giving a gift, even of nominal value, to a Government Official.

If a Covered Person is the recipient of an unexpected gift or hospitality that appears to exceed the approval limits, they must declare the item to their direct manager or the Compliance Officer after the event. In respect of a gift, the Covered Person may be required to return it, surrender it to the Company or give it to charity if it is not considered appropriate to retain it.

All gifts and hospitality which require approval will be fully documented in a gifts and hospitality register (see Record Keeping section below). Outward gifts and hospitality that are below the approval thresholds will be subject to the usual expenses approval processes and will not be approved if the relevant approver considers the expense to have been inappropriate. Such an instance will be reported to the Compliance Officer.

## **10. Business Associates**

Cardo could be held criminally liable for the acts of Business Associates who are involved in bribery when they are acting on its behalf.

Before engaging a third party you should consider whether the use of such a person is necessary; whether the proposed person is appropriate for the role (including by reference to their expertise and any possible conflict of interest); and whether the proposed remuneration is appropriate.

Thorough due diligence needs to be undertaken before engaging any agent, representative or intermediary, which may include commissioning third-party risk assessments in high-risk areas. In particular you need to find out who they are (including details of the ultimate owners of any company); what their business history is (including whether there has ever been any allegation or report of their involvement in any wrongful business conduct); and for whom they have previously worked. Appropriate references must always be obtained.

Business units shall be responsible for ensuring that commission and other payments to any agents, representatives or intermediaries under an approved intermediary (or equivalent) agreement are properly recorded, approved and paid in accordance with the agreement and any other legal requirements. All payments to an agent, representative or intermediary must be made by direct bank transfer (not to any third party) into the country in which the agent, representative or intermediary has its principal place of business or performs substantial services on behalf of Cardo. Any request for payment to a third party of a commission, service fee or other fees in a manner that is not in accordance with this policy must be approved by the CEO.

Should Covered Persons engage Business Associates to act on the Company's behalf, Covered Persons will take appropriate measures to ensure such Business Associates abide by this Policy.

## **Due Diligence**

This Policy provides for strict controls and due diligence when dealing with Business Associates, and specifically with those who may interact with Government Officials for or on behalf of Cardo. The Company will be responsible for monitoring the Business Associates' conduct, including, *inter alia*: conducting due risk-based due diligence, ensuring financial arrangements and entering into written agreements with appropriate anti-bribery and anti-corruption clauses.

Furthermore, the Company will conduct risk-based anti-bribery and anti-corruption due diligence prior to the engagement of a Business Associate to ensure that it is a bona fide and legitimate entity, is qualified for the purpose of its engagement, and generally maintains standards consistent with the ethical and reputational standards of Cardo. Cardo recognizes that corruption risks can vary by location, type of transaction and customer, and, accordingly, this Policy requires enhanced diligence procedures for engaging with Business Associates in circumstances that present a higher perceived risk of corruption. The due diligence will be conducted in accordance with the due diligence guidelines attached to this Policy as **Annex B**.

Information identified and received during the due diligence process will be reviewed by the Legal and/or Accounting Departments, as applicable, and should be maintained by the Compliance Officer in a due diligence file regarding the potential Business Associate.

Based on the identified risks, the Compliance Officer and/or the Legal Department may at their discretion impose additional controls and/or restrictions concerning potential or existing Business Associates.

## **Monitoring Third Party Conflict**

The Company will take appropriate measures to ensure that such Business Associates abide by applicable anti-bribery and anti-corruption laws and regulations. Covered Persons are required to monitor for and promptly report any “red flags” or other concerns that raise anti-bribery or anti-corruption concerns to the Compliance Officer.

A “red flag” is a fact pattern, situation, request, or other circumstance that indicates a possible anti-bribery or anti-corruption compliance risk. **Annex C** to this Policy includes examples of “red flags”, which are illustrative and not exhaustive. In case of doubt whether a certain fact or information known to a Covered Person constitutes a “red flag”, please enquire with the Compliance Officer.

## **Financial Arrangements**

All financial arrangements made with a Business Associate must be reasonable in relation to the products sold to, or bona fide services rendered by, such Business Associate to or on behalf of Cardo.

Payments to a Business Associate should never be made in cash and should be made to the Business Associate’s bank account in the country where the services are performed or where the Business Associate’s offices are located. No payments shall be made to a Business Associate without detailed and accurate invoices that describe the services and expenses incurred.

## **11. Conflict of Interest**

A conflict of interest arises in a situation where personal interests (direct or indirect) do or can affect the objective and impartial performance of official duties, which may harm the rights and legitimate interests of the Company, subsidiaries, third parties, or violate anti-bribery or anti-corruption legislation.

Cardo is committed to maintaining honesty, integrity, and fairness in all aspects of its business and expects its employees to comply with these principals. In order to avoid, prevent and resolve conflicts of interest, the Company's employees are required to:

- (i) Disclose information about a conflict of interest or the likelihood of its occurrence, as soon as it becomes aware of it in accordance with the internal procedures of the Company.
- (ii) Undertake measures to prevent any possibility that gives rise to a conflict of interest, including but not limited to immediately reporting any such conflict.
- (iii) Minimize the risk of conflict of interest in the performance of their functional duties.

Prevention or resolution of a conflict of interest may involve the changing of the range of tasks and specific errands performed under official duties by the Company employee who is a party to the conflict of interest (e.g., taking the conflicted employee off a certain transaction).

## **12. Record Keeping**

The Company will maintain detailed and accurate financial records that accurately reflect its transactions, use of Company assets, and other similar information, along with an appropriate system of internal controls. Covered Persons must ensure that:

- (i) Gifts, business entertainment, hospitality, and other expenses are properly reported and recorded. The Company will keep a register of all such records. The registering of gifts, hospitality and other expenses will be subject to regular review by the Compliance Officer. Such review will include monitoring not only the value of individual gifts and hospitality, but also the frequency and aggregate value of gifts and hospitality offered/received by particular individuals/entities ;
- (ii) payments made on behalf of the Company are supported by appropriate documentation; and
- (iii) No payments to third parties are made in cash, unless pursuant to proper petty cash disbursements.

Covered Persons are prohibited from falsifying or helping to falsify documents for concealing improper activity or for any other reason.

### **13. Mandatory Reporting; Safeguards Against Retaliation**

The success of this Policy in preventing corruption relies on the diligence and commitment of all Covered Persons and Business Associates. Covered Persons must report any suspected violations of this Policy to the Compliance Officer. All Covered Persons may submit, on a confidential and anonymous basis, any concerns regarding bribery or improper payments, in person or by letter, telephone, facsimile, e-mail, or other means, to be used only for the purpose of addressing the specific problem(s) the reports concern. Receipt and processing of complaints will comply with all applicable data protection and other laws.

The Compliance Officer or any other person designated for this purpose will perform an initial evaluation of each potentially viable complaint to determine if it involves any of the matters addressed by this policy. If a complaint appears to address these matters, the complaint will be reviewed and, if necessary, investigated.

In conducting any such investigation, the anonymity of the employee making a complaint or submission on a confidential basis will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.

Upon concluding its review or investigation of a complaint, the Compliance Officer shall prepare a written report regarding the nature of the complaint, the review or investigation process and its recommendations.

If the employee feels victimized, harassed, or believes that he/she have suffered any other detriment as a result of raising a concern in accordance with this policy then he/she should advise the Compliance Officer and these concerns must be properly accounted for.

The employee should be actively encouraged to raise concerns directly with the Compliance Officer if he/she feel dissatisfied with the application of this policy.

The Compliance Officer will maintain a log of all inquiries and suspected violations in connection with this Policy.

Such reports, if substantiated, will be shared with the Company's management, board of directors, and other authorized individuals.

All Covered Persons shall cooperate fully, truthfully, and candidly with any inquiry conducted by or on behalf of Cardo. Failure to provide such cooperation may result in disciplinary action, including termination of employment.

The Company does not permit retaliation of any kind against employees for complaints submitted that are made in good faith. The Company and its management are prohibited from discharging, demoting, suspending, threatening, harassing or in any manner discriminating against any employee as a result of any good faith complaint relating to the Company's financial disclosures, accounting, internal accounting controls, auditing matters or violations of this Policy.

#### **14. Communication and Training**

##### **Communication**

Communication is crucial for countering bribery and corruption. The Company will communicate to its employees, volunteers, associates and other stakeholders its zero tolerance toward Bribery and corruption and present the detailed policies and procedures for implementation of this Policy. Communication will need to be constant and renewed regularly to ensure employees, volunteers and contractors working within the Company stay aligned with this Policy in their daily work.

External communication of this Policy emphasizes the Company's commitment to its zero tolerance to bribery and corruption; this allows funders, sponsors, associates and the public to understand the ways in which the Company addresses the issue. In this way, the Company can build the confidence of stakeholders in its zero tolerance policy and at the same time deter those who might wish to solicit bribes.

##### **Training**

The Compliance Officer will establish and conduct a suitable training program to help effectuate the compliance goals of this Policy, and will maintain records documenting the date and content of the training and names of attendees.

The Company will provide training on this Policy as part of the induction process for all new employees. Employees will also receive regular, relevant training on how to adhere to this Policy and will be asked annually to formally accept that they will comply with this Policy.

In addition, all Covered Persons will be required to sign certifications of compliance with this Policy.

The training program will include:

- Guidance and training to employees on policy and procedures for giving and receiving gifts, keeping the value of gifts to modest levels and the gifts matrix that was established in order to set financial values for gifts in different countries.
- Lessons on how to resist demands for facilitation payments.
- Tailored communications and training covering the risks, the relevant policies and procedures and ways of countering the risks.

## **15. Monitoring and Reviewing of the Policy**

The Compliance Officer will review this Policy at least annually to ensure it is effective and in accordance with current best practices, and will revise and update this Policy, as necessary.

Internal control systems and procedures designed to prevent bribery and corruption are subject to regular audits to ensure that they are effective in practice.

Employees are encouraged to offer their feedback on this Policy if they have any suggestions for how it may be improved. Feedback of this nature should be addressed to the Compliance Officer.

The Compliance Officer may from time to time amend the Annexes attached to this Policy, in consultation with the Company's external counsel.

## **16. Managing and Reporting an Incident**

This Policy is not foolproof and Bribery incidents may occur and vary in their severity. The FCPA and the UK Bribery Act and other anti-corruption legislation encourage voluntary self-reporting. Failure to voluntarily self-report and being discovered by the relevant authorities may result in a hostile prosecution with more penalties in the case of conviction. Accordingly, if the Company, after receiving legal advice, finds an allegation to be credible, it will self-report to the relevant authorities.

To reduce the harm and mitigate the risks, the Company will take the following actions:

- The Company will notify the senior management and the Board immediately.
- The Company will appoint a manager to handle the incident response.
- An internal and external communication plan will be implemented, varying according to the incident's severity.
- An immediate and thorough investigation will be initiated as soon as the allegation is made.
- Consultation with legal advisors to assess whether the allegation exposes the Company to any risk.

## **17. Questions About This Policy**

Please contact the Compliance Officer if you have any questions regarding the scope and reach of applicable anti-bribery and anti-corruption laws and regulations, whether a gift or other form of hospitality would be consistent with this Policy or otherwise relating to this Policy.

## **Annex A**

### **Relevant Laws**

We concentrate below on the laws in Israel, the US and the UK, but Cardo requires compliance with the laws of all countries which are applicable to the Company's business and the Compliance Officer should seek local legal advice where relevant.

#### **The Israeli Penal Law - 1977**

On the 14 July 2008, the Knesset approved the Penal Law (Amendment No. 99), 2008 adding Article 291A to the Penal Law, 1977, which set forth an offence of bribing a foreign public official in a business activity.

The offence in Article 291A is included in the bribery offences section in the Penal Law, and all the general provisions applicable to offences in this section apply to it as well. The offence has unique characteristics: needs to be committed, at least in part, in a foreign country, engaging a public official of a foreign country or an international organization.

Individuals face potential fines and imprisonment up to seven years under the anti-bribery provision of the Israeli Penal Code.

#### **The US Foreign Corrupt Practices Act (FCPA)**

The FCPA prohibits the giving or offering of money, gifts or anything of value to any foreign government official for the purpose of influencing the foreign official or party, or inducing the foreign official or party to exert influence to assist the company in obtaining or retaining business. The law applies to US citizens, permanent residents and US companies, or any person acting on their behalf, as well as to non-US individuals and companies who breach the rules in a manner that is deemed to have sufficient connection with the US. The US government has stated its view that the FCPA can apply to a transaction with only very limited connection to the US, e.g. where a non-US individual/company uses US communications or banking networks in connection with a violation. The FCPA also imposes internal control, and accounting and record-keeping provisions. Corporations who violate the FCPA face significant fines. Individuals face potential fines and imprisonment for up to five years under the anti-bribery provision and up to 20 years under the accounting provision.

#### **UK Bribery Act**

Under the UK Bribery Act it is an offence for a person to offer, promise or give money, gifts or anything of value to another person, or to request or receive the same from another person, as an inducement or reward for performing a function improperly or where the acceptance or receipt would itself be improper. Any form of gift, consideration, reward or advantage can constitute a bribe – it need not be an offer of money. This general law criminalises the offering of bribes to

persons in both the public and private sector, i.e. it is not confined to the corruption of government officials. The Act also contains a specific offence for the bribing of foreign public officials (see further below for examples of public officials). A prosecutor does not need to show 'impropriety', only that it was the offender's intention to influence the public official in order to obtain or retain business or a business advantage. The Bribery Act applies to any offences taking place in the UK, but also to offences taking place wholly outside the UK where they are committed by British citizens, UK residents or bodies incorporated in the UK, even in some cases where they are customary locally or permitted under local law.

Individuals who commit bribery can be subject to up to ten years' imprisonment and/or unlimited fines. Companies that commit an offence may also face significant fines, confiscation of the benefits of any tainted contract and debarment from tendering for public procurement work and other government contracts.

## Annex B

### **Due Diligence Guidelines**

The purpose of conducting due diligence on relevant Business Associates in the context of this Policy is to verify, to the extent reasonably possible, their integrity and past track record in relation to anti-bribery and anti-corruption compliance. The Company shall not enter into any business relationship with any Business Associate, unless and until:

- (a) An appropriate risk based due diligence process has been completed for the Business Associate, and
- (b) The due diligence process has not revealed activities by the Business Associate which would be inconsistent with the Company's zero tolerance for bribery and corruption.

The nature of the due diligence will depend, among other things, on the nature of the relationship with and cooperation of the Business Associate, the availability of public domain information and records on the Business Associate, and, especially, the cultural and political environment in which the Business Associate is operating. For purposes of assessing the cultural and political environment in which a Business Associate is operating, the Company will refer to objective sources of information such as Transparency International ("TI"), which is available at <http://www.transparency.org/>.

Basic due diligence is required for screening all potential Business Associates and shall include, at minimum, verification of the corporate registration of the entity, or the expertise of a person, the business address and general corporate history/structure that is publicly available.

Enhanced due diligence is required if any issues of concern or "red flags" are identified in the basic due diligence and for all potential Business Associates in regions which are generally known for corrupt practices, even if basic due diligence does not identify any "red flags" or issues of concern, as determined by the Compliance Officer. Enhanced due diligence shall include, at minimum:

- (i) The Business Associate's completion of a detailed due diligence questionnaire and provision of relevant information and documents supporting the replies to the questionnaire, and
- (ii) The completion of an internal due diligence questionnaire pertaining to the potential Business Associate by the Covered Person proposing to engage it. The forms of due diligence questionnaires will be determined by the Compliance Officer from time to time, in consultation with the Company's external counsel.

For the avoidance of any doubt, the due diligence process described in the Policy and the forms provided by the Compliance Officer from time to time are solely to determine compliance with the Policy, and do not constitute commercial due diligence as to the commercial health and stability of the target person or entity. Such commercial due diligence may need to be conducted separately, in addition to due diligence under this Policy.

## Annex C

### **Examples of Red Flags**

**Please note that the following examples are illustrative. This is not an exhaustive list.**

- A request for payment in advance or prior to an award of a contract, license, concession, or other business.
- A request for reimbursement of unusual, extraordinary, poorly documented, or last minute expenses.
- A request for payment in cash (or otherwise untraceable funds) to a numbered account or to an account in the name of someone other than the appropriate party.
- A request for payment in a country other than the one in which the parties are located, especially if it is a country with limited banking transparency.
- A refusal by a party to certify that it will comply with the requirements and prohibitions of applicable anti-bribery and anti-corruption laws and regulations or this Policy.
- Use of shell or holding companies that obscures a transaction partner's ownership without credible explanation.
- A request for a fee or kickback<sup>1</sup> for the use of Company products and services at the requestor's facility.
- As measured by local customs or standards, or under circumstances particular to the party's environment, the party's business is understaffed, ill-equipped or inconceivably located to undertake its proposed relationship with the Company.
- The party appears to have insufficient know-how or experience to provide the services the Company needs.
- Company wire transfers that do not disclose the identity of the sender or recipient.
- In the case of engaging an agent or consultant to act on the Company's behalf in business dealings, the potential agent or consultant:
  - a) Resides or is headquartered outside the country in which the services are to be rendered, particularly if that country has a reputation for corruption or is a tax haven;

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<sup>1</sup> For the avoidance of doubt, a kickback is a percentage of income given to a person in a position of power or influence as payment for having made the income possible: usually considered improper or unethical (e.g., rebating a portion of a contract payment to third parties or using consulting agreements to funnel payments to third parties).

- b) Has no established track record;
- c) Has family members, relatives, employees, or family members of an employee that are officials in the foreign government or ruling political party, particularly if the official is or could be in a position to direct business to the Company;
- d) Has been recommended by a foreign official of the potential government customer;
- e) Is insolvent or has significant financial difficulties that would reasonably be expected to impact its dealings with the Company;
- f) Insists on the involvement of third parties who bring no apparent value;
- g) Intends to or reserves the right to assign its rights or obligations to a third party;
- h) Displays ignorance of or indifference to local laws and regulations;
- i) Refuses to sign a certification stating that it will not violate all relevant anti-bribery and anti-corruption laws and regulations and that it agrees to the terms of the Company's Policy.
- j) Has undisclosed subagents or subcontractors who assist in its work;
- k) Has undisclosed principals, associates or subcontractors with whom fees or commissions are split. Moreover, any agreement to pay any contingent fee or commission to an agent, finder or other third party that has not been approved in advance by the Company.
- l) Is unable to provide appropriate business references;
- m) Lacks transparency in expenses and accounting records;
- n) Requests that false invoices or other documents be prepared in connection with a transaction;
- o) Refuses to disclose its complete ownership, ownership structure, or other reasonable requested information;
- p) Is the subject of credible rumors or media reports of inappropriate payments or a silent partner; or
- q) Requests for payment disproportionate to the services provided (*e.g.*, an agent who bears financial risks on delivery of goods or performs substantial pre- or post-sales services may be entitled to greater compensation than a pure commission Agent/broker).
- r) Proposes an agreement that is illegal under applicable local laws and regulations.