The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
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<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>75%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
<td>64.3%</td>
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<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>79.2%</td>
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<tr>
<td>Training</td>
<td>5</td>
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<td>Personnel and Helplines</td>
<td>7</td>
<td>71.4%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>72%</strong></td>
</tr>
</tbody>
</table>
A1:
Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

2

Comments:
Based on public information, there is evidence that the company publishes statements from the Chief Executive Officer supporting the ethics and anti-corruption agenda of the company. A statement from the CEO published on the company’s website clearly displays the company’s commitment to ethical business practices at all levels. In his introductions to the Compliance Programme and company policies section of the company website, the CEO again shows that ethics, compliance and anti-corruption policy are high on the company’s agenda, a message reiterated in the 2013 Corporate Social Responsibility Report.

References:
Public:
Company Website:
Introduction from the CEO:
‘23/11/2014
Raf#10990295V1
Re: Compliance programs – Anti-Corruption and Anti-Trust
For a number of years Rafael has been operating under two compliance programs in matters pertaining to the ethics of our conduct as an organization and as individuals. The first program is the Anti-Corruption Program regarding Rafael’s activities and those of its business partners with foreign public entities, and the second deals with compliance to anti-trust laws.
Rafael’s commitment, as a law abiding entity, is to conducting business honestly and fairly in Israel and worldwide on all levels: managers, employees, subsidiaries and related companies and business partners. We have been acting in this manner and shall continue to act so under the programs.
This policy forbids Rafael staff, and those operating on its behalf, to make or propose inappropriate payments or gifts to government entities, on the one hand, and encourages free competition pursuant to anti-trust laws, on the other.
We are all committed – the company’s management and employees, to strict compliance with the terms of the compliance programs, any deviation from their provisions severely compromises Rafael’s operations in Israel and overseas. Over the past years the two programs underwent changes and adjustments, so that Rafael will be amongst the leading companies worldwide in terms of its responsiveness to the obligation to comply with anti-corruption laws and anti-trust provisions as well.

The compliance programs formulate the monitoring and financial procedures at Rafael into rules requiring proper recording and reporting, as a material part of the regulatory rules arising from Israel’s joining the OECD convention and the resulting changes in Israeli laws, and from the stricter supervision in matters pertaining to anti-trust. A violation of these rules may result in the imposition of severe disciplinary or criminal punishments, both on the company and on the employees involved. The company’s policy is to have zero tolerance to the violation of these rules.

The responsibility for the compliance with this obligation is first and foremost personal. Every individual, in his business activity, sales, marketing, finance, human resources, contracts, export management and acquisitions – or any other aspect of Rafael in its business, pertaining to the content of these programs, is personally responsible.

Employees must attend training given by the Compliance staff, be aware of the policies and the company processes, and report to the competent authorities on concerns regarding violations.

Rafael’s Compliance Officer, as a result, is on the level of a Vice President and reports to the CEO. It is his responsibility to supervise, integrate and monitor the execution of the compliance programs at Rafael. He shall supervise the organization and distribution of procedures and ensure the training of all of the relevant employees.

Sincerely,

Yedidia Yaari
President & CEO

http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

CEO website introduction to the Compliance Programme:

‘Rafael has recently launched two compliance programs relating to our ethical conduct as an organization and as individuals. The first program is meant to prevent corruption in Rafael activities with its commercial partners operating in relationships with foreign governments, and the second concerns compliance with antitrust laws.

As a law-abiding entity, Rafael’s commitment is to conduct its business in an honest, upright manner, everywhere and at every level: managers, employees, suppliers and commercial partners. This is how we have operated until now and this is how we will continue to operate.

Our policy forbids Rafael personnel, and its representatives, to pay or offer payment or inappropriate gifts to foreign officials, on the one hand, and, on the other, encourages free competition according to the antitrust laws.

All of us – managers and employees alike – are obliged to meticulously uphold the terms of the compliance programs. Any deviation is liable to have dire consequences for Rafael’s
activities in Israel and abroad.

The compliance programs consolidate Rafael’s control and finance procedures into obligatory rules of proper recording and reporting, as an essential part of the new regulatory rules, resulting both from Israel’s joining the OECD convention and from tighter antitrust controls. Violating these rules is liable to result in severe punitive measures, disciplinary and/or criminal, both for the company as a whole and for the employees involved.

The responsibility for fulfilling these obligations is, first and foremost, upon each individual. Everyone in the Company, in his or her activities – whether in commercial, sales, marketing, financial, human resources, contracts, export and procurement – or in any other aspect of Rafael’s activity relating to the compliance programs, is personally responsible. All employees must be aware of the company’s policies and procedures. I wish to emphasize this point again: any violation will entail serious results.’

http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Introduction from the CEO, Companies Policies:

‘Rafael developed from a branch of the army into a government corporation whose goal is to be a growing, profitable company, making a unique and significant contribution to the security of the State of Israel, and which researches, develops, manufactures and supplies systems based on the most advanced technology and at the forefront of combat needs, to its customers in Israel and worldwide.

As a large business organization with many employees that orders work from a large number of sub-contractors, Rafael has always managed its business and activity with integrity and with ethical responsibility towards its employees, suppliers, customers, competitors and the community.

Business development and events in Israel and elsewhere require constant review and update of the rules of the ethical code in all the aspects of activity.

The ethical code stresses Rafael’s commitment to high business standards and clarifies what is expected of its managers and staff. The ethical code commands Rafael, as a business organization, to make every effort to conduct itself with honesty, to respect individuals, to take responsibility for those who choose to work with us, to be fair in our relations with others and to take care of the people who depend on us, and act as model citizens.

The process of assimilating the ethical code is an important element in the formation of an organizational culture that combines moral excellence, technical excellence and business excellence.

Rafael’s managers and staff, in their actions and decisions, are required to strengthen awareness of the ethical code and to implement all the values and rules of conduct deriving from the code.

Strict observance of the ethical code alongside compliance with laws and regulations will
deepen the sense of pride and belonging in Rafael, as well as contributing to its strength and business success in a difficult competitive environment, and helping to maintain Rafael’s good name.

Yedidia Yaari
CEO of Rafael’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

2013 Corporate Social Responsibility Report, pp.47-48:
http://portal.rafael.co.il/achrayut/Pages/achrayut.aspx
A2:
Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company’s Chief Executive Officer demonstrates a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company. This assessment is based upon a search of the company website and wider internet. TI is looking for evidence of a strong personal external facing commitment to the ethics and anti-corruption agenda. This could include public speeches and interviews, or active involvement in industry anti-corruption initiatives.

References:

Public:
NA
A3:
Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company’s Chief Executive Officer demonstrates a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company.

References:
Public:
NA
A4:
Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:
2

Comments:
Based on public information, there is evidence that the company publishes a statement of values representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability. The statement of values appear in various documents and is clearly translated into company policies and codes.

References:
Public:
Ethical Code extracts:

‘The ethical code stresses Rafael’s commitment to high business standards and clarifies what is expected of its managers and staff. The ethical code commands Rafael, as a business organization, to make every effort to conduct itself with honesty, to respect individuals, to take responsibility for those who choose to work with us, to be fair in our relations with others and to take care of the people who depend on us, and act as model citizens.

We will work at building a long term relationship with our customers based on trust, integrity, mutual respect and understanding of their needs.

Rafael will handle its contacts with customers and business partners by means of qualified employees, with fairness, transparency, honesty and trust.

Rafael attaches great importance to integrity in its actions, including the prevention of corruption, public corruption, bribery, bias, arbitrary preference, conflict of interest and irrelevant considerations.

Rafael will ensure that all its employees, managers and representatives in Israel and worldwide conduct themselves with integrity, trustworthiness and fairness and in accordance with the rules of the ethical code.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A5:
Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company is a member of IFBEC.

References:
Public:
IFBEC Members:
http://ifbec.info/our-members/
A6: Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence that the company appointed the Finance Committee with overall corporate responsibility for its ethics and anti-corruption agenda. The Internal Audit Division in cooperation with the Finance Committee and the Board of Directors conducts regular internal audits of the anti-corruption policy.

References:

Public:
Rafael Anti Corruption Policy, pp.1-2:
‘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. The Company's compliance with Israeli anti-corruption laws, the OECD Anti-Bribery Convention and other related laws is overseen by the Finance Committee of the Board of Directors ("Finance Committee"). The Finance Committee 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), Accounting, Marketing and the Legal Department.’

(p.16): ‘D. Internal Audit Function
The Company’s Internal Audit Division is familiar with the anti-corruption components of the Company’s policies. The Internal Audit Division, with assistance from outside parties having appropriate specialized expertise, will regularly conduct audits to determine the Company’s adherence with this Policy and its anti-corruption 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 / Audit Committee of the Board of Directors, or Compliance Officer, 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. Any potential violations of the Company’s anti-corruption program, either brought to the Internal Audit Division’s attention or discovered during an audit, will be reviewed with the Company’s General Counsel and thoroughly investigated on a timely basis.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code (May 2010), p. 12:
‘4.6 Reviewing implementation of the ethical code rules
The ethical code implementation plan includes the appointment of individuals who are responsible for such implementation (ethical trustees) subject to the VP HR & Organization. Their duties will include:
• The assimilation, enforcement and assessment of the ethical code and updating it from time to time.
• Taking reasonable steps to provide regular and consistent explanations of the ethical code and aspects of the internal ethical program to all employees and interested parties with the aim of creating understanding of the code, acceptance of its contents, and willingness to act accordingly.
• Being the address for employee inquiries regarding any ethical issues that arise in the course of their work.
• Being the address for complaints about deviations from proper ethical conduct.
• Providing periodical reports on implementation of the internal ethical plan.
Periodical reports will be prepared on implementation of the annual review of the code’s guidelines within the units, changes required, problems arising when working according to the code, and complaints of breaches, updates to the code’s rules in view of events. A copy of the reports will be sent to the internal comptroller and the legal bureau.
4.7 Responsibility
The VP HR & Organization is responsible for implementation and assimilation of the ethical code rules in Rafael, and for handling inquiries on this subject.
The managers are responsible for compliance by employees with the ethical code rules and for reporting any deviations from the code.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A7:
Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

2

Comments:
Based on public information, there is evidence that the company has appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board. This is Mr. Rami Nossen, Vice President and Compliance Officer.

References:
Public:
Rafael Anti Corruption Policy, p.2:
‘The Finance Committee 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), Accounting, Marketing and the Legal Department. The Anti-Corruption Committee will meet to review this Policy, the compliance program set forth herein, related procedures, results of risk assessment and any changes in applicable law, regulations and guidance.

Day-to-day responsibility for implementing this Policy is vested in the Company's Compliance Officer. The Compliance Officer's functions shall include: review of data collected regarding Business Partners under the Due Diligence 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.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/11311.pdf

Company Website:
Rafael CEO introduction to Compliance Programme:
‘Mr. Rami Nossen has been appointed Vice President and Compliance Officer at Rafael, and will report directly to the CEO. It will be his responsibility to oversee, instill, and follow up on the implementation of the compliance programs at Rafael. He will be in charge of organizing and distributing the procedures and will see to it that all the relevant employees undergo proper training.’

http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Ethical Code (May 2010), p.12:

‘4.6 Reviewing implementation of the ethical code rules
The ethical code implementation plan includes the appointment of individuals who are responsible for such implementation (ethical trustees) subject to the VP HR & Organization. Their duties will include:
• The assimilation, enforcement and assessment of the ethical code and updating it from time to time.
• Taking reasonable steps to provide regular and consistent explanations of the ethical code and aspects of the internal ethical program to all employees and interested parties with the aim of creating understanding of the code, acceptance of its contents, and willingness to act accordingly.
• Being the address for employee inquiries regarding any ethical issues that arise in the course of their work.
• Being the address for complaints about deviations from proper ethical conduct.
• Providing periodical reports on implementation of the internal ethical plan.
Periodical reports will be prepared on implementation of the annual review of the code’s guidelines within the units, changes required, problems arising when working according to the code, and complaints of breaches, updates to the code’s rules in view of events. A copy of the reports will be sent to the internal comptroller and the legal bureau.

4.7 Responsibility
The VP HR & Organization is responsible for implementation and assimilation of the ethical code rules in Rafael, and for handling inquiries on this subject.
The managers are responsible for compliance by employees with the ethical code rules and for reporting any deviations from the code.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A8:
Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:
2

Comments:
Based on public information, there is evidence of annual monitoring and review of the performance of the company’s entire ethics and anti-corruption agenda by the Compliance Officer. The Board reviews the findings of the Compliance Officer.

References:
Public:
Rafael Anti Corruption Policy, p.2:
‘On an annual 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, the risk assessment and violations of the policy and approved by the Anti-Corruption Committee. The Compliance Officer shall appear in front of, and report to the Board of Directors of the Company or the Finance Committee, 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 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, and any other issues that shall be deemed relevant by the Compliance Officer.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A8(a):
Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:
1

Comments:
Based on public information, there is evidence of an implementation plan in place for the company’s ethics and anti-corruption agenda and that this is reviewed on a regular basis. Although the formality of this process is clear, there is limited evidence of improvement plans being implemented when issues are identified. The company therefore scores 1.

References:
Public:
Ethical Code, p.10:
‘The ethical code implementation plan refers to practical implementation of the rules of the code, in order to raise the ethical standard of Rafael actions and reduce the risks of unlawful or unethical activity within the company. As part of the plan, senior management will be informed of the ethical code rules, to ensure proper implementation and enforcement of the code, with reasonable supervision by management.
The plan includes:

- Distribution of the ethical code to all employees as described in this document.
- Distribution of the Employee’s Guide to the ethical code.
- Integration of the ethical code into the Infont system, with periodical refreshers for all members of staff.
- Integrating the ethical code into training activity in the company.
- Distribution of interesting events in the context of implementation/ non implementation of the ethical code rules.’

(p. 12): ‘4.6 Reviewing implementation of the ethical code rules’
The ethical code implementation plan includes the appointment of individuals who are responsible for such implementation (ethical trustees) subject to the VP HR & Organization. Their duties will include:

- The assimilation, enforcement and assessment of the ethical code and updating it from time to time.
- Taking reasonable steps to provide regular and consistent explanations of the ethical code and aspects of the internal ethical program to all employees and interested parties with the aim of creating understanding of the code, acceptance of its contents, and willingness to act accordingly.
- Being the address for employee inquiries regarding any ethical issues that arise in the course of their work.
- Being the address for complaints about deviations from proper ethical conduct.
- Providing periodical reports on implementation of the internal ethical plan.

Periodical reports will be prepared on implementation of the annual review of the code’s guidelines within the units, changes required, problems arising when working according to the code, and complaints of breaches, updates to the code’s rules in view of events. A copy of the reports will be sent to the internal comptroller and the legal bureau.

4.7 Responsibility

The VP HR & Organization is responsible for implementation and assimilation of the ethical code rules in Rafael, and for handling inquiries on this subject.

The managers are responsible for compliance by employees with the ethical code rules and for reporting any deviations from the code.’

Rafael Anti-Corruption Policy, p.2:

‘3. Corporate Ownership of Policy

‘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. The Company’s compliance with Israeli anti-corruption laws, the OECD Anti-Bribery Convention and other related laws is overseen by the Finance Committee of the Board of Directors (“Finance Committee“). The Finance Committee 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), Accounting, Marketing and the Legal Department. The Anti-Corruption Committee will meet to review this Policy, the compliance program set forth herein, and any changes in applicable law, regulations and guidance.

Day-to-day responsibility for implementing this Policy is vested in the Company’s Compliance Officer. The Compliance Officer’s functions shall include: review of data collected regarding Business Partners under the Due Diligence 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
The Compliance Officer shall be an officer of the Company and shall report directly to the CEO of the Company.

On an annual 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, the risk assessment and violations of the policy, and approved by the Anti-Corruption Committee. In addition, annually the CEO of the Company shall 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 or the Finance Committee, 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 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, and any other issues that shall be deemed relevant by the Compliance Officer.

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A9:
Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score:
2

Comments:
Based on public information, there is evidence that the company has a formal process for review and update of its policies in response to actual or alleged instances of corruption.

References:
Public:
Ethical Code, p.11:
‘If any unethical or unlawful conduct is discovered in Rafael, it will be investigated and actions taken to remedy the fault and prevent its recurrence, including disciplinary measures, publishing the circumstances of the event, making any changes required in the ethical code and the implementation process.’
(p.12): ‘Periodical reports will be prepared on implementation of the annual review of the code’s guidelines within the units, changes required, problems arising when working according to the code, and complaints of breaches, updates to the code’s rules in view of events. A copy of the reports will be sent to the internal comptroller and the legal bureau.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:

1

Comments:
Based on public information, there is some evidence that the company has a formal anti-corruption risk assessment procedure implemented enterprise-wide. However, it is not clear who is responsible for addressing identified risks when they appear. The company therefore scores 1.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.2:
‘The Compliance Officer shall perform period risk assessment of the Company's activities. The primary objective of the corruption risk assessment is to better understand the risk exposure so that informed risk management decisions may be taken. 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 document 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. 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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A10:
Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:

0

Comments:
Based on public information, there is evidence that the company has a formal anti-corruption risk assessment procedure. However, it is not clear that this is applied at the level of operational business decisions, noting that the risk assessment is carried out by the Compliance Officer rather than business managers.

References:
Public:
TI notes:
Rafael Anti Corruption Policy (December 2014), p.2:
‘The Compliance Officer shall perform period risk assessment of the Company’s activities. The primary objective of the corruption risk assessment is to better understand the risk exposure so that informed risk management decisions may be taken. 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 document 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. 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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/5/1305.pdf
A11:

Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:

2

Comments:

Based on public information, there is evidence that the company conducts due diligence that minimises corruption risk when selecting or reappointing its agents. This due diligence is refreshed at least every three years.

References:

Public:
Rafael Anti Corruption Policy (December 2014), p.10:

‘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 and visa expeditor. Any person or entity authorized to contact any governmental official or agency on behalf of the Company or who is government-owned or controlled would likely be a « Business Partner. » Examples of non-Business Partners could be a landlord, utility company, or service provider to the Company, so long as they have no contacts with any governmental official or governmental agency on behalf of the Company or are not government-owned or operated.

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. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any public 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. 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 oblige 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 Global Legal Due Diligence Procedure attached herewith.

Various Business Partners may be relieved of the need of undergoing the due diligence procedure set forth below based on a review of all of the following parameters: (a) the Business Partner has minimal contact with foreign government officials; (b) the country(ies) in which such Business Partner is to perform its services is deemed a country with a low risk of corruption; (c) payment to such Business Partner is not dependant on the successful outcome of a decision of a foreign official; (d) world renown reputation of a Business Partner; and (e) the services provided are clearly recognized and indefinable as necessary expenses. In each case that the Comp’ny’s Compliance Officer determines that the due diligence procedure should not apply, the Compliance Officer shall provide a report regarding the exemption to the Anti-Corruption Committee. The Committee shall review the decision of the Compliance Officer and may over-rule his decision. The Compliance Officer shall keep records of all exemptions granted.

Due Diligence

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, and at least every three (3) years thereafter (or sooner if warranted), the Company gathers background information on its Business Partners, such as their corporate structure, ownership information, connections to foreign government officials and financial data.

An important aspect of both due diligence and continuing oversight of Business Partners is attention to and reporting «f "red flag »s." 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 circumstances that suggest any ethical or financial impropriety. Particular attention should be paid to red flags in a country or industry with a reputation for bribery or corruption.

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company has contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption.

References:

Public:
Rafael Anti Corruption Policy (December 2014), p.11:
‘Once a relationship with a Business Partner has been approved, a written agreement setting forth all of the terms of the business arrangement must be entered into. 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 include, but are not limited to, anti-corruption certification language, termination, indemnification and audit right provisions. In order to ensure that all legal requirements are adequately addressed, all agreements with Business Partners must be reviewed and approved by the Legal Department prior to providing them to the Business Partner for execution. Difficulties in obtaining the agreement of a Business Partner for including appropriate provisions in the written contract should be considered a "red flag" and addressed as such as part of the due diligence process. See Section 6.B.ii. of this Policy which references policies on entering into contracts and disbursing funds.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A13:

**Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?**

**Score:**

1

**Comments:**

Based on public information, there is some evidence that the company makes clear to business partners and suppliers through policy its stance on bribery and corruption. However, there is no further evidence of contractual terms and the consequences of breaches to this stance. The company therefore scores 1.

**References:**

Public:

Ethical Code (May 2010), p.15:

‘1.2. Integrity

a. In all its branches and facilities, Rafael will be strict about its employees, representatives and suppliers observing ethical conduct based on moral criteria, dignified representation and universal norms in their dealings with the company.

b. Rafael attaches great importance to integrity in its actions, including the prevention of corruption, public corruption, bribery, bias, arbitrary preference, conflict of interest and irrelevant considerations.’

(pp.15-16):

‘1.3. Prohibition against receiving benefits in kind and gifts

a. Rafael will ensure that all its employees, managers and representatives in Israel and worldwide conduct themselves with integrity, trustworthiness and fairness and in accordance with the rules of the ethical code.

b. Rafael prohibits accepting or giving gifts or benefits in kind (gifts, benefits, bonuses, payments) that directly or indirectly involve or even seem to involve an attempt to obtain something in return, so that no employee will find himself in a situation where his professional judgment could be affected, leading to improper decisions.

c. Company policy prohibits all Rafael employees and managers, anyone employed by or on behalf of the company and all its business partners to give gifts of any kind whatsoever to officials of foreign governments, political activists and/or anyone connected to them, in
order to influence or promote Rafael’s business.’

(p. 18):
‘Rafael is meticulous about transparency and providing full and honest information to its customers on the use of Rafael products and services.
Among other things, Rafael is careful to obtain all approvals required by law in order to negotiate, demonstrate and sell its products/services/knowhow in military and security fields and/or to work with customers that are foreign security and military organizations, as required by the binding regulations.
Rafael will enter into agreements with customers and business partners based on the provisions of the international Convention against Corruption, in view of its wish to conduct its business worldwide ethically, honestly and morally, and to be fully compliant with the laws of the State of Israel, the OECD convention and the laws of the various countries where it operates.’

(p. 22):
‘3. Relations with suppliers and competitors
3.1. General
In order to provide high quality products/services at competitive prices, Rafael puts the emphasis on purchasing quality goods/equipment/services from its suppliers on the basis of quality, timetable and price.
The process of making decisions regarding procurement, sales and contact with suppliers will be in accordance with the law and Rafael procedures.
3.2. Relations with suppliers
a. A significant portion of Rafael’s activity is carried out by external suppliers in Israel and overseas, subject to all applicable laws.
b. Rafael sees its suppliers as partners and works with them on the basis of mutual trust and sharing success.
c. Rafael will ensure that its suppliers are selected – whether or not in a competitive process, subject to any applicable law – in a fair way on the basis of reasonable and relevant criteria.
d. Rafael will ensure that suppliers know in advance exactly what is expected of them, with full definitions in the procurement documents of the scope of work, its quality and timetable for supply.
e. In its contracts with suppliers, Rafael will not include any clauses that contradict the law and will comply with the restrictions of any permits granted for licenses when making purchases.
f. Rafael expects its suppliers to comply with the law and accepted ethical rules.
g. Rafael will encourage its suppliers and sub-contractors to run environmentally friendly systems.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:

1

Comments:
Based on public information, there is some evidence that the company explicitly address the corruption risks associated with offset contracting. However, this is not a separate section of the Policy or Code, and is addressed at a general level through the Due Diligence process on Business Partners through the identification of Red Flags. The company therefore scores 1.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.10:
‘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 and visa expediter. Any person or entity authorized to contact any governmental official or agency on behalf of the Company or who is government-owned or controlled would likely be a "Business Partner." Examples of non-Business Partners could be a landlord, utility company, or service provider to the Company, so long as they have no contacts with any governmental official or governmental agency on behalf of the Company or are not government-owned or operated.’

(p.11): ‘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 circumstances that suggest any ethical or financial impropriety. Particular attention should be paid to red flags in a country or industry with a reputation for bribery or corruption. The following is a list of some of the red flags that can arise in transactions involving Business Partners:
• transaction involves a foreign government official with a reputation for corruption or who requests a payment or gift;
• 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;
• 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 an foreign government official;
• one or more principals 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 deemed problematic with regard to corruption issues, as shown by international standards 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 should report the discovery of any such red flags immediately to the Compliance Officer or the Company's General Counsel.'

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:

2

Comments:
Based on public information, there is evidence that the company conducts due diligence that minimises corruption risk when selecting its offset partners and offset brokers. This is refreshed at least every three years.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.10:
‘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 and visa expediter. Any person or entity authorized to contact any governmental official or agency on behalf of the Company or who is government-owned or controlled would likely be a "Business Partner." Examples of non-Business Partners could be a landlord, utility company, or service provider to the Company, so long as they have no contacts with any governmental official or governmental agency on behalf of the Company or are not government-owned or operated. 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. The substance of the contacts or potential contacts by a Business Partner or proposed Business Partner with any public 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. 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 Global Legal Due Diligence Procedure attached herewith.

Various Business Partners may be relieved of the need of undergoing the due diligence procedure set forth below based on a review of all of the following parameters: (a) the Business Partner has minimal contact with foreign government officials; (b) the country(ies) in which such Business Partner is to perform its services is deemed a country with a low risk of corruption; (c) payment to such Business Partner is not dependant on the successful outcome of a decision of a foreign official; (d) world renown reputation of a Business Partner; and (e) the services provided are clearly recognized and indefinable as necessary expenses. In each case that the Company’s Compliance Officer determines that the due diligence procedure should not apply, the Compliance Officer shall provide a report regarding the exemption to the Anti-Corruption Committee. The Committee shall review the decision of the Compliance Officer and may over-rule his decision. The Compliance Officer shall keep records of all exemptions granted.

Due Diligence

It is critical for the Company to know its Business Partners. Thus, prior to entering into or renewing relationships with Business Partners, and at least every three (3) years thereafter (or sooner if warranted), the Company gathers background information on its Business Partners, such as their corporate structure, ownership information, connections to foreign government officials and financial data.

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 circumstances that suggest any ethical or financial impropriety. Particular attention should be paid to red flags in a country or industry with a reputation for bribery or corruption.'

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A15: Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score: 2

Comments: Based on public information, there is evidence that the company has an anti-corruption policy that prohibits corruption in its various forms. The company publishes both an Anti Corruption Policy and an Ethical Code.

References:

Public:
Rafael Anti Corruption Policy, p.1:

2. Statement of Policy

Company officers, directors, employees 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 foreign government official, political party or political party official or candidate for political office in an attempt to influence the official or obtain a benefit of any kind.

Furthermore, every officer, director, employee 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.

Officers, directors, employees or agents having reason to believe that a violation of Company policy may have occurred are required to report the activity to the Company’s General Counsel immediately. The General Counsel shall notify the Company’s Compliance Officer and Internal Auditor as necessary. The Company will ensure that no retributive action is taken against anyone making such a report because of such reporting. Reports may be submitted anonymously. Information regarding how to submit a report is provided in section 5 below.

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code (May 2010), p. 8:

‘3.1 Benefits in kind, gifts and conflict of interests
Rafael will conduct its business in a responsible, fair manner, so that all its actions comply with the law and the rules of proper business behavior in Israel and overseas. All Rafael
employees are required to act with integrity, reliability and fairness, including with everyone connected to the company, its customers and suppliers.

Rafael’s employees, managers, agents, business partners and anyone acting on its behalf are forbidden to give gifts of any kind whatsoever to government officials and political activists, in Israel and worldwide, with the aim of influencing them or promoting Rafael’s business.

Rafael forbids its employees to receive or grant benefits in kind and gifts, excluding those that are approved by the Gifts Committee.

For the good of Rafael, its employees are required to avoid situations or actions that could create a conflict of interests between Rafael’s benefit and their personal benefit.

(p.15): ‘1.2. Integrity

a. In all its branches and facilities, Rafael will be strict about its employees, representatives and suppliers observing ethical conduct based on moral criteria, dignified representation and universal norms in their dealings with the company.

b. Rafael attaches great importance to integrity in its actions, including the prevention of corruption, public corruption, bribery, bias, arbitrary preference, conflict of interest and irrelevant considerations.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A16:
Is the anti-corruption policy explicitly one of zero tolerance?

Score:

1

Comments:
Based on public information, there is evidence of an explicit statement of zero tolerance to violations of company policy. However, there is no readily available evidence of an explicit zero tolerance policy statement of corruption or bribery specifically. The company therefore scores 1.

References:
Public:
Company Website:
Introduction from the CEO:
‘23/11/2014
Raf#10990295V1
Re: Compliance programs – Anti-Corruption and Anti-Trust
For a number of years Rafael has been operating under two compliance programs in matters pertaining to the ethics of our conduct as an organization and as individuals. The first program is the Anti-Corruption Program regarding Rafael’s activities and those of its business partners with foreign public entities, and the second deals with compliance to anti-trust laws.
Rafael’s commitment, as a law abiding entity, is to conducting business honestly and fairly in Israel and worldwide on all levels: managers, employees, subsidiaries and related companies and business partners. We have been acting in this manner and shall continue to act so under the programs.
This policy forbids Rafael staff, and those operating on its behalf, to make or propose inappropriate payments or gifts to government entities, on the one hand, and encourages free competition pursuant to anti-trust laws, on the other.
We are all committed – the company’s management and employees, to strict compliance with the terms of the compliance programs, any deviation from their provisions severely compromises Rafael’s operations in Israel and overseas. Over the past years the two programs underwent changes and adjustments, so that Rafael will be amongst the leading companies worldwide in terms of its responsiveness to the obligation to comply with anti-
corruption laws and anti-trust provisions as well.

The compliance programs formulate the monitoring and financial procedures at Rafael into rules requiring proper recording and reporting, as a material part of the regulatory rules arising from Israel’s joining the OECD convention and the resulting changes in Israeli laws, and from the stricter supervision in matters pertaining to anti-trust. A violation of these rules may result in the imposition of severe disciplinary or criminal punishments, both on the company and on the employees involved. The company’s policy is to have zero tolerance to the violation of these rules.

The responsibility for the compliance with this obligation is first and foremost personal. Every individual, in his business activity, sales, marketing, finance, human resources, contracts, export management and acquisitions – or any other aspect of Rafael in its business, pertaining to the content of these programs, is personally responsible.

Employees must attend training given by the Compliance staff, be aware of the policies and the company processes, and report to the competent authorities on concerns regarding violations.

Rafael’s Compliance Officer, as a result, is on the level of a Vice President and reports to the CEO. It is his responsibility to supervise, integrate and monitor the execution of the compliance programs at Rafael. He shall supervise the organization and distribution of procedures and ensure the training of all of the relevant employees.

Sincerely,

Yedidia Yaari
President & CEO

http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Anti-Corruption Policy (2014), p.1:
‘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 anticorruption 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.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A17:
Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score:

2

Comments:
Based on public information, there is evidence that the company's anti-corruption policy is easily accessible. It is openly available on the company website in English and Hebrew.

References:
Public:
Rafael Anti Corruption Policy (December 2014):
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Rafael Compliance Policy:
http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Rafael Policies:
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Social Responsibility Porta (in Hebrew):
http://portal.rafael.co.il/Achrayut/Pages/Etica.aspx
A17(a):
Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:

2

Comments:
Based on public information, there is evidence that the company’s anti-corruption policy is easily understandable and clear to Board members, employees and third parties.

References:
Public:
Rafael Anti Corruption Policy (December 2014):
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Rafael Compliance Policy:
http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Rafael Policies:
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Social Responsibility Porta (in Hebrew):
http://portal.rafael.co.il/Achrayut/Pages/Etica.aspx
A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:

2

Comments:

Based on public information, there is evidence that the anti-corruption policy explicitly applies to all employees and members of the Board.

References:

Public:
Rafael Anti-Corruption Policy (December 2014), p.1:
2. Statement of Policy

Company officers, directors, employees 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 foreign government official, political party or political party official or candidate for political office in an attempt to influence the official or obtain a benefit of any kind.

(p.6):
‘The following (anti-corruption) procedures must be in place at all of the Company’s operations and offices, and are mandatory for all employees, directors and officers.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.5:
‘The ethical code is binding on each and every manager and member of staff in Rafael.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A20:
Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:

1

Comments:

Based on public information, there is evidence that the company has a policy on potential conflicts of interest that applies to employees. However, the process relating to Board members is not explicitly mentioned. The company therefore scores 1.

References:

Public:
Ethical Code, p. 8:
‘For the good of Rafael, its employees are required to avoid situations or actions that could create a conflict of interests between Rafael’s benefit and their personal benefit.’

(p.16):
‘Rafael will demand that its employees perform their tasks honestly and fairly, and avoid situations or actions that could create a conflict of interest between Rafael’s benefit and the benefit of the employee or his relatives/ friends, or with competitors and other outside elements linked to them and which have interests that conflict with those of Rafael. Employees are responsible for avoiding such situations.
Rafael will demand that its employees avoid cash investments or any other business activity that could create a conflict of interests.
Rafael will demand that its employees avoid being linked to or influencing or trying to influence a transaction where they could have a personal interest or a benefit in kind from the other party to the transaction and which could thereby harm Rafael’s interests.
Rafael will forbid its employees from engaging in any private business or occupational activity with a business organization in competition with the company, or with any customer or supplier of the company, if such activity could create a conflict of interest with the employee’s work in Rafael, all as specified in Rafael’s procedures.
No Rafael employee shall receive payment in any form whatsoever for services performed for Rafael from any source except Rafael.
In any case of doubt, the employee should raise the issue with his manager of field manager.
level or above.

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A21:
Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score:

2

Comments:
Based on public information, there is evidence that the company has a policy for the giving and receipt of gifts. Although this does not publicly state upper limits, the company has a Gifts Committee and thresholds for authorisation. The Anti Corruption Policy focuses on foreign officials and refers to internal procedures, while the Ethical Code is more broad.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.8:
‘Anti-Corruption Policy
The Company has a strict policy with regard to giving anything of value to a foreign government official which, if done, must be as provided in this Policy and as specified in 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 foreign government official must:
• With respect to travel, hospitality and meals, be provided in connection with bonafide 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; and
• Comply with the local laws and regulations that apply to the foreign government official. Except as otherwise provided herein, or stated in Rafael’s procedures mentioned above, all such hospitality, travel expenses and gifts must be reviewed by the Compliance Officer who shall provide his written recommendation regarding such.
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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.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

### Ethical Code, p.8:

‘Rafael forbids its employees to receive or grant benefits in kind and gifts, excluding those that are approved by the Gifts Committee.’

(p.15):

‘Rafael prohibits accepting or giving gifts or benefits in kind (gifts, benefits, bonuses, payments) that directly or indirectly involve or even seem to involve an attempt to obtain something in return, so that no employee will find himself in a situation where his professional judgment could be affected, leading to improper decisions.

Company policy prohibits all Rafael employees and managers, anyone employed by or on behalf of the company and all its business partners to give gifts of any kind whatsoever to officials of foreign governments, political activists and/or anyone connected to them, in order to influence or promote Rafael’s business.

An employee may receive a small personal gift from people in Rafael to mark a personal event or according to custom in the circumstances.

Rafael will prohibit its employees from making arrangements with outside elements with which they have a direct business connection in order to purchase products/services for private needs, unless this is approved by the employee’s managers.

Rafael will ask every employee who receives a benefit or gift from an outside element to report this to his manager (at field manager level) and only to accept generally accepted commercial gifts (of low value and bearing the trademark or name of the donor company) in the circumstances.

A manager is forbidden to receive any benefits from an employee who is directly or indirectly subordinate to him, and the employee may not receive benefits from his manager. Rafael prohibits situations of a business relationship between a manager and any of his subordinates outside working hours, to avoid any harm to good working relations.

Rafael will permit employees to receive gifts marking a personal celebration of the employee or a family member from friends, guests or invitees who come into contact with him in the course of his work for Rafael or with the unit where he is employed, including a check or gift certificate of reasonable value for an event of this kind.

Rafael will allow employees to receive prizes awarded by public bodies, whether or not this prize is connected to their work in the company.

.........

Gifts to foreign government officials should be avoided unless specifically permissible under Rafael's Business Courtesies policy, local rules and Rafael's procedure no. 23.00.03 regarding "Providing Gifts" attached herewith.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
### 1.3 Favors, gifts and conflicts of interest

Rafael will conduct its business in a responsible and fair manner, so that all operations are carried out in accordance with the law and the rules; with proper business behavior in Israel and abroad. All employees are required to act honestly, to be reliable, to act fairly, including with related parties, customers and suppliers.

Rafael employees, directors, each person employed by it and its all business partners are prohibited to give gifts of any kind to government officials and activists of political parties in Israel and abroad.

Rafael prohibits accepting or giving favors and gifts other than those approved by the Committee of gifts.

Raphael and its employees will avoid situations that might cause conflicts of interest between the interests Raphael and their own good.

Rafael prohibit employees from using inside information for the purpose of personal gain.

### 2.3 Marketing, sales and customers.

Rafael will act in full compliance with the laws of the State of Israel, of the Convention - OECD and the laws of States where Rafael operates in order to prevent the bribery of foreign government officials, as it seeks to conduct its business worldwide ethically, honestly and with integrity.

[http://portal.rafael.co.il/Achrayut/Documents/%D7%94%D7%A7%D7%95%D7%93_%D7%94%D7%90%D7%AA%D7%99_%D7%94%D7%9E%D7%9C%D7%90.PDF](http://portal.rafael.co.il/Achrayut/Documents/%D7%94%D7%A7%D7%95%D7%93_%D7%94%D7%90%D7%AA%D7%99_%D7%94%D7%9E%D7%9C%D7%90.PDF)

**Business Courtesies Policy:**

A22:
Does the company's anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:
1

Comments:
Based on public information, there is evidence that the company's anti-corruption policy includes a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery. Although it does not publicly state upper limits, the company provides significant detail and evidence of authorisation. However, TI notes that the Anti Corruption Policy focuses on providing hospitality to foreign officials and it is not clear that the provision of gifts to other individuals is similarly regulated. The company therefore scores 1.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.8:
'The Company has a strict policy with regard to giving anything of value to a foreign government official which, if done, must be as provided in this Policy and as specified in 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 foreign government official must:
• With respect to travel, hospitality and meals, be provided in connection with a bonafide 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; and
• Comply with the local laws and regulations that apply to the foreign government official.
Except as otherwise provided herein, or stated in Rafael's procedures mentioned above, all such hospitality, travel expenses and gifts must be reviewed by the Compliance Officer who
shall provide his written recommendation regarding such.

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.

Hospitality

All hospitality, including meals and entertainment, provided for a foreign government official must be reasonable and customary, and provided in the normal course of business, as stated in Rafael's procedure no. 00.00.14 regarding "Business Courtesies" attached herewith. 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.

Red flags that can arise in connection with providing hospitality for a foreign government official include, without limitation:

- 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 government official to go to a restaurant or other establishment located in a far-away or unusual location; and
- food and/or drink prices are disproportionately high when compared to such prices at similar establishments.

Travel Expenses

All travel expenses provided for a foreign 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 foreign government officials of this practice in advance.

If it is necessary to reimburse legitimate travel expenses incurred by a foreign government official, the Company must inquire into the permissibility of such reimbursement under applicable laws as well as governing regulations of the foreign 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 foreign government officials.'

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.8:
‘Rafael forbids its employees to receive or grant benefits in kind and gifts, excluding those that are approved by the Gifts Committee.’

(p.15):
‘Rafael prohibits accepting or giving gifts or benefits in kind (gifts, benefits, bonuses, payments) that directly or indirectly involve or even seem to involve an attempt to obtain something in return, so that no employee will find himself in a situation where his professional judgment could be affected, leading to improper decisions.

Company policy prohibits all Rafael employees and managers, anyone employed by or on behalf of the company and all its business partners to give gifts of any kind whatsoever to officials of foreign governments, political activists and/or anyone connected to them, in order to influence or promote Rafael’s business.

An employee may receive a small personal gift from people in Rafael to mark a personal event or according to custom in the circumstances.

Rafael will prohibit its employees from making arrangements with outside elements with which they have a direct business connection in order to purchase products/services for private needs, unless this is approved by the employee’s managers.

Rafael will ask every employee who receives a benefit or gift from an outside element to report this to his manager (at field manager level) and only to accept generally accepted commercial gifts (of low value and bearing the trademark or name of the donor company) in the circumstances.

A manager is forbidden to receive any benefits from an employee who is directly or indirectly subordinate to him, and the employee may not receive benefits from his manager. Rafael prohibits situations of a business relationship between a manager and any of his subordinates outside working hours, to avoid any harm to good working relations.

Rafael will permit employees to receive gifts marking a personal celebration of the employee or a family member from friends, guests or invitees who come into contact with him in the course of his work for Rafael or with the unit where he is employed, including a check or gift certificate of reasonable value for an event of this kind.

Rafael will allow employees to receive prizes awarded by public bodies, whether or not this prize is connected to their work in the company.

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Gifts to foreign government officials should be avoided unless specifically permissible under Rafael's Business Courtesies policy, local rules and Rafael's procedure no. 23.00.03 regarding "Providing Gifts" attached herewith.

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Business Courtesies Policy:
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/3/1303.pdf

RAFAEL 22/12/14
HTTP://WWW.RAFael.CO.IL/
A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:

1

Comments:
Based on public information, there is evidence that the company has a policy that prohibits facilitation payments though there is no guidance/supplementary information on its implementation and the evidence provided is simply that the company abides by Israeli Penal Law. The company therefore scores 1.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.3:
‘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-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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A24:
Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:
2

Comments:
Based on public information, there is evidence that the company prohibits political contributions.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.10: ‘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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical code, p.28:
‘Rafael will act to prevent use of its employees, facilities and image for political purposes in Israel and overseas, or exploitation of the company, its status and image for the purposes of political gain.
Rafael will prohibit any political activity of any kind whatsoever or promotion of personal interests in this area during work hours and in company facilities.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A25:
Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:
1

Comments:
Based on public information, there is some evidence that the company regulates lobbying activities. Specifically, relations with lobbyists are subject to anti-corruption due diligence. However, there is no further information outlining the company’s policy on lobbying and no evidence that it discloses the issues on which it lobbies. The company therefore scores 1.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.10:
‘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 and visa expeditor. Any person or entity authorized to contact any governmental official or agency on behalf of the Company or who is government-owned or controlled would likely be a "Business Partner." Examples of non-Business Partners could be a landlord, utility company, or service provider to the Company, so long as they have no contacts with any governmental official or governmental agency on behalf of the Company or are not government-owned or operated.’

(p.11): ‘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 circumstances that suggest any ethical or financial impropriety. Particular attention should be paid to red flags in a country or industry with a reputation for bribery or corruption. The following is a list of some of the red flags that can arise in transactions involving Business Partners:

• transaction involves a foreign government official with a reputation for corruption or
who requests a payment or gift;

- 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;
- 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 an foreign government official;
- one or more principals 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 deemed problematic with regard to corruption issues, as shown by international standards 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 parries 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 should report the discovery of any such red flags immediately to the Compliance Officer or the Company's General Counsel.'

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:

2

Comments:
Based on public information, there is evidence that the company prohibits charitable contributions.

References:
Public:
Rafael Anti Corruption Policy (December 2014), p.10:
‘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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.29:
‘As a government corporation, Rafael is not permitted to give contributions or sponsorships that involve any payment by the company.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A26:

Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence that the company provides written guidance in the form of an Ethics Guide to help employees understand and implement the firm’s ethics and anti-corruption agenda.

References:

Public:
Ethical Code, p.11:
‘Rafael places at the disposal of every employee a Guide whose purpose is to clarify the subject of the ethical code and give examples of dos and don’ts.
The Guide explains the important subjects, the company’s requirements and expectations on each matter, and the reasons for the instructions.
The Guide contains a wealth of examples to improve understanding of the ethical code as part of Rafael’s regular activities.’ [http://www.rafael.co.il/Marketing/493-en/Marketing.aspx]

Ethics Portal in Hebrew:
[http://portal.rafael.co.il/achravyt/Pages/achrayut.aspx]

Employee Guidebook (May 2010) (Hebrew):
[http://portal.rafael.co.il/Achrayut/Documents/%D7%94%D7%A7%D7%95%D7%93%20%D7%94%20%D7%90%20%D7%AA%20%D7%99%20%E2%80%93%20%D7%9E%20%D7%93%20%D7%A8%20%D7%99%20%D7%9A%20%D7%9C%20%D7%A2%20%D7%95%20%D7%91%20%D7%93.PDF]
A27: Does the company have a training programme that explicitly covers anti-corruption?

Score: 2

Comments: Based on public information, there is evidence that the company has a training programme that explicitly covers anti-corruption.

References:

Public:
Rafael Anti Corruption Policy (December 2014), p.7:
‘On an annual basis (during the first quarter of each fiscal year), the Compliance Officer should determine which employees should receive anti-corruption training. Employees receiving training should include employees in the following functions: Sales/Marketing, Human Resources, Legal, Contracts, Procurement, Audit, and Accounting & Finance, 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. 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.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.10:
‘Integration of the ethical code into the Infont (sic) system, with periodical refreshers for all members of staff.’
‘Integrating the ethical code into training activity in the company.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A28:
Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:

1

Comments:
Based on public information, it is unclear whether anti-corruption training is provided in all countries where the company operates or has company sites. The company targets training at specific functions. The Compliance Officer determines which employees should receive anti-corruption training and places them on a Positions List. Although it is not clear that all employees are included on the Positions List, TI assesses that this list covers employees in the principal countries where the company operates. The company therefore scores 1.

References:
Public:
TI notes:
Rafael Anti Corruption Policy (December 2014), p.7:
‘On an annual basis (during the first quarter of each fiscal year), the Compliance Officer should determine which employees should receive anti-corruption training. Employees receiving training should include employees in the following functions: Sales/Marketing, Human Resources, Legal, Contracts, Procurement, Audit, and Accounting & Finance, 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.
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.
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/5/1305.pdf
A29:
Does the company provide targeted anti-corruption training to members of the Board?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company provides targeted anti-corruption training to members of the Board. The company targets training at specific functions, but directors and Board members are not specifically mentioned.

References:
Public:
TI notes:
Rafael Anti Corruption Policy (December 2014), p.7:
‘On an annual basis (during the first quarter of each fiscal year), the Compliance Officer should determine which employees should receive anti-corruption training. Employees receiving training should include employees in the following functions: Sales/Marketing, Human Resources, Legal, Contracts, Procurement, Audit, and Accounting & Finance, according to a list of specific positions to be prepared by the Compliance officer ("Positions List").’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A30:
Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:
1

Comments:
Based on public information, there is some evidence that the company provides tailored ethics and anti-corruption training for employees in sensitive positions. However, it is not clear that this is targeted at all high risk positions. The company therefore scores 1.

References:
Public:
Ethical Code, p. 21:
‘In all its contacts with overseas elements (customers, government authorities, institutions), Rafael will be meticulous about respecting the laws and customs of the country involved, will comply with all local import and export laws and meet all the accepted standards, laws and treaties, on terms that do not conflict with the laws of the State of Israel.

Every Rafael employee who has business contacts with public authorities is responsible for being familiar with the laws, rules and special requirements for business arrangements with public authorities overseas, in order to avoid situations of acting contrary to local law or breaching the ethical rules of the relevant country.

Rafael employees will be given guidance on suitable conduct during business travel overseas (meetings with customers, suppliers, conferences, presentations etc.), on complying with the local laws and avoiding any actions that are or appear to be contrary to local customs, religious and/or special values, or that could damage the interests of Israel and Rafael.’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Rafael Anti Corruption Policy (December 2014), p.7:
‘On an annual basis (during the first quarter of each fiscal year), the Compliance Officer should determine which employees should receive anti-corruption training. Employees receiving training should include employees in the following functions: Sales/Marketing, Human Resources, Legal, Contracts, Procurement, Audit, and Accounting & Finance, according to a list of specific positions to be prepared by the Compliance officer (“Positions
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
A31:
Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:

1

Comments:
Based on public information, there is some evidence that the company has a clear process by which employees declare conflicts of interest. TI notes that prospective employees are requested to complete a declaration form upon applying for a role with the company. However, once an employee of the company, if an employee needs to declare additional interests they are only required to discuss the matter with their manager, and the degree of formality of this latter process is not clear. The company therefore scores 1.

References:
Public:
Ethical Code (May 2010), p. 17:
‘In any case of doubt, the employee should raise the issue (of conflict of interest) with his manager of field manager level or above.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Company website:
Careers page:
http://career.rafael.co.il/
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:

2

Comments:
Based on public information, there is evidence that the company is explicit in its commitment to apply disciplinary procedures to employees found to have engaged in corrupt activities. Whilst Board members and directors are not stated as such, the code itself explicitly applies to them as well as employees.

References:
Public:
Rafael Anti-Corruption Policy (December 2014), p.1:
2. Statement of Policy

Company officers, directors, employees 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 foreign government official, political party or political party official or candidate for political office in an attempt to influence the official or obtain a benefit of any kind.

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. In addition, employees violating Company Policy are subject to disciplinary action, including possible termination of employment.

(p.6):
‘The following (anti-corruption) procedures must be in place at all of the Company’s operations and offices, and are mandatory for all employees, directors and officers.’

(p.17): ‘Any employee who violates this Policy will be subject to disciplinary action, up to and including termination of employment.’

http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf
Ethical Code, p.5:
‘The ethical code is binding on each and every manager and member of staff in Rafael.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A33:
Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:
1

Comments:
Based on public information, there is evidence that the company has channels to report concerns or instances of suspected corrupt activity. They are identified in the Ethical Code and the Anti-Corruption Policy, but they seem to be limited to talking directly to HR, an ethics trustee or the legal adviser/General Counsel. There is no readily available evidence of a whistleblowing channel that is externally operated. The company therefore scores 1.

References:
Public:
Ethical Code, p.11:
‘Issues: an employee who encounters an issue with ethical aspects should first of all contact his immediate superiors, and if necessary, people in HR or an “ethics trustee” or VP Human Resources & Organization, or the legal adviser.

Advice for employees: VP Human Resources will enable any employee who has doubts about a matter relating to the ethical code, to obtain suitable advice.

An employee who identifies a deviation from the ethical code should contact his line manager or the ethical trustee or VP Human Resources & Organization.

The confidentiality of an employee who makes a complaint must be maintained and the complaint handled according to the format for handling complaints from the public.

VP HR & Organization will encourage employees to report breaches of the ethical code, or suspicion of such breach, and facilitate the process of submitting complaints.’

Anti-Corruption Policy (December 2014), p.7:
‘ii. All employees fulfilling the functions listed in the Positions List will be required to sign
Certification forms annually, or as otherwise determined by the Compliance Officer, in which they certify their understanding of, and agreement to comply with, this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention and applicable anti-corruption laws of other countries.

Certifications

iii. Reporting

Company policy requires that any employee having knowledge of any suspected or known violation of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or the relevant applicable anti-corruption laws of other countries 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.

In order to encourage employees to report violations of this Policy and the above mentioned rules and regulations, such reports need not be signed and may be sent anonymously. It is the Company’s Policy not to allow actual or threatened retaliation, harassment or discrimination due to reports of misconduct by others made in good faith by employees.

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: (a) who violates this Policy or related compliance procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or other applicable laws, (b) who fails to detect or report such violations, (c) who retaliates against others who report such violations, or (d) who fails to enforce this Policy.

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Anti-Corruption Policy (December 2014), p.7:
iii. Reporting

Company policy requires that any employee having knowledge of any suspected or known violation of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or the relevant applicable anti-corruption laws of other countries 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 sammy@rafael.co.il; Shalom Sanyar, Legal Department, Rafael Advanced defense Systems, P.O.B 2150, Haifa, 3102102, Israel, +972-4-879-4033. Reports can also be sent to the Internal Auditor or through the Rafaelink website on the company intranet.

In order to encourage employees to report violations of this Policy and the above mentioned rules and regulations, such reports need not be signed and may be sent anonymously. It is the Company’s Policy not to allow actual or threatened retaliation, harassment or discrimination due to reports of misconduct by others made in good faith by employees.

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: (a) who violates this Policy or related compliance procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or other applicable laws, (b) who fails to detect or report such violations, (c) who retaliates against others who report such violations, or (d) who fails to enforce this Policy.
A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:

2

Comments:
Based on public information, there is evidence that whistleblowing channels are available to all employees in all geographies. Employees are encouraged to contact HR, an ethics trustee, the VP Human Resources and Organisation, or the legal adviser.

References:
Public:
Ethical Code, p. 11:

Issues: an employee who encounters an issue with ethical aspects should first of all contact his immediate superiors, and if necessary, people in HR or an “ethics trustee” or VP Human Resources & Organization, or the legal adviser.

An employee who identifies a deviation from the ethical code should contact his line manager or the ethical trustee or VP Human Resources & Organization.

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

Anti-Corruption Policy (December 2014), p.7:
iii. Reporting

Company policy requires that any employee having knowledge of any suspected or known violation of this Policy, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or the relevant applicable anti-corruption laws of other countries 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 samuel.sunny@rafael.co.il; Samuel Sunny, Legal Department, Rafael Advanced defense Systems, P.o.B 2550, Haifa, 3102002, Israel, +972-4-870-4035. Reports can also be sent to the Internal Auditor or through the Rafaelink website on the company intranet.

In order to encourage employees to report violations of this Policy and the above mentioned rules and regulations, such reports need not be signed and may be sent anonymously. It is the Company’s Policy not to allow actual or threatened retaliation, harassment or discrimination due to reports of misconduct by others made in good faith by employees.

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 (a) who violates this Policy or related compliance procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or other applicable laws, (b) who fails to detect or report such violations, (c) who retaliates against others who report such violations, or (d) who fails to enforce this Policy.
A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:

0

Comments:
Based on public information, there is some evidence that the company encourages whistleblowing. However, it is not clear that the company has formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, such as ways to follow up with whistleblowers and monitor their experience, analysis of whistleblowing data or employee surveys. The company therefore scores 0.

References:

Public:
Rafael Anti corruption Policy (December 2014), p.1:
‘Officers, directors, employees or agents having reason to believe that a violation of Company policy may have occurred are required to report the activity to the Company's General Counsel immediately. The General Counsel shall notify the Company’s Compliance Officer and Internal Auditor as necessary. The Company will ensure that no retributive action is taken against anyone making such a report because of such reporting.’
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.11:
‘Rafael will not tolerate any negative effects for employees who complain about deviations from the ethical code. The VP HR & Organization will protect employees against any persecution following submission of such complaints.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

2

Comments:
Based on public information, there is evidence that the company has made ethical trustees available to all employees where help and advice can be sought on corruption-related issues.

References:
Public:
Ethical Code, p.12: The Terms of Reference for the Ethics Trustees includes the statement:
‘Taking reasonable steps to provide regular and consistent explanations of the ethical code and aspects of the internal ethical program to all employees and interested parties with the aim of creating understanding of the code, acceptance of its contents, and willingness to act accordingly.
Being the address for employee inquiries regarding any ethical issues that arise in the course of their work.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:
2

Comments:
Based on public information, there is evidence of a commitment to non-retaliation for bona fide reporting of corruption and the company commits to disciplinary action up to and including termination of employment for acts of retaliation.

References:
Public:
Rafael Anti corruption Policy (December 2014), p.1:
‘Officers, directors, employees or agents having reason to believe that a violation of Company policy may have occurred are required to report the activity to the Company’s General Counsel immediately. The General Counsel shall notify the Company’s Compliance Officer and Internal Auditor as necessary. The Company will ensure that no retributive action is taken against anyone making such a report because of such reporting.’

(p.7): ‘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: (a) who violates this Policy or related compliance procedures, Israeli anti-corruption laws, the OECD Anti-Bribery Convention or other applicable laws, (b) who fails to detect or report such violations, (c) who retaliates against others who report such violations, or (d) who fails to enforce this Policy’

http://www.rafael.co.il/Marketing/493-en/Marketing.aspx
http://www.rafael.co.il/marketing/SiP_STORAGE/FILES/1/1311.pdf

Ethical Code, p.11:
‘Rafael will not tolerate any negative effects for employees who complain about deviations from the ethical code. The VP HR & Organization will protect employees against any persecution following submission of such complaints.’
http://www.rafael.co.il/Marketing/493-en/Marketing.aspx

RAFAEL 22/12/14
HTTP://WWW.RAFAEL.CO.IL/
Information Sources:

Company website:  
www.rafael.co.il

Introduction from the CEO, Compliance programs, Rafael Code:  
http://www.rafael.co.il/Marketing/532-en/Marketing.aspx

Rafael Anti corruption Policy (December 2014):  
http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/1/1311.pdf

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http://www.rafael.co.il/marketing/SIP_STORAGE/FILES/3/1303.pdf

Ethics Portal (Hebrew):  
http://portal.rafael.co.il/achrayut/Pages/achrayut.aspx

2013 Corporate Social Responsibility Report:  
http://portal.rafael.co.il/achrayut/Pages/achrayut.aspx