

HILAN LTD

PROCEDURE FOR PREVENTION OF BRIBERY AND CORRUPTION, AND COMPLIANCE PROGRAM

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PROGRAM OF COMPLIANCE FOR THE PREVENTION OF BRIBERY AND CORRUPTION

1. BACKGROUND

1. The Company

Hilan Ltd., (hereinafter: “the Company”) is a Public company operating in the sphere of salary services and value added services for the management of human resources in organizations, including pension-related activity, time and motion, human capital and analysis.

2. The Main Components of the Program

The following are the main components of the Company’s compliance program for the prevention of bribery and corruption:

- 1) Planning a clear corporate policy of zero-tolerance regarding bribery and corruption.
- 2) Planning and formulation of clear instructions pertaining to the Company’s zero-tolerance of bribery and corruption, and their distribution to the Company’s Employees.
- 3) Planning and formulation of clear instructions pertaining to the Company’s zero-tolerance of bribery and corruption, and their distribution to business partners, including agents.
- 4) Establishment of an efficient internal control, enforcement, and reporting mechanism to ensure constant compliance with the Company’s policy for the prevention of bribery and corruption.
- 5) Development of efficient guidance and training with distribution procedures within the Company pertaining to the policy of prevention of bribery and corruption.
- 6) Proper records and internal control and monitoring systems

3. Definitions

For the purposes of this program the following terms shall have the meanings detailed hereunder:

- 1) **Agents** - Middlemen, brokers and other agency parties who are of assistance to the company in respect of government-related transactions, whose remuneration is based upon payments dependent upon materialization of the transaction.
- 2) **Business Partners** - any broker, sub-contractor, substantial supplier, business partner or partner in a joint venture.

- 3) **Business hospitality** - as defined in Appendix 1.
- 4) **Gift** - any unjustified payment, present, loan, donation, service, benefit, or other valuable item, in cash or in kind, whether direct or through a third party.
- 5) **Government-related transactions** - any negotiation, transaction, contract and agreement and their implementation in a Government Authority, political party, empowered unit or any sub-unit of a Government Authority or political party, in governmental owned or controlled commercial entities, in local or international public organizations under government ownership or control.
- 6) **Red flag** - activity or an event that gives rise to concern as to improper conduct, including all the actions or activities detailed in Appendix 2 to this Compliance Program.
- 7) **Third Party** - any person or body who are not employees of or officeholders in the Company.

2. THE COMPANY'S ZERO-TOLERANCE POLICY REGARDING BRIBERY AND CORRUPTION

1. Resolutions of the Board of Directors of the Company.

The following resolutions have been adopted by the Board of Directors of the Company (hereinafter: "the Company's Board" and "Resolutions of the Company's Board"):

- (1) A resolution adopting the policy document as the Company's policy.
- (2) A resolution adopting the compliance program for the prevention of bribery and corruption which implements the principles of the policy document (hereinafter: "the Compliance Program").
- (3) A resolution as to the identity of the Compliance Manager of the program for the prevention of bribery and corruption, who is charged with the responsibility of implementation of the compliance program and its administration.
- (4) A resolution charging the Enforcement Committee with responsibility for compliance and with monitoring the activity of the Compliance Manager of the program for the prevention of bribery and corruption, as detailed in the policy document.
- (5) A resolution updating the existing instructions for the prevention of bribery in the Company's code of business conduct and ethics.

2. Internal appointments and organizational structure designed for the implementation of supervision monitoring and enforcement of the Policy.

1) Appointment of a senior employee of the Company who is to direct the implementation of the Policy and administer it.

Pursuant to resolutions of the Company's Board, the Human Resources Director of the Company - Ms. Liat Saguy, will be appointed as the Head of the Company's Compliance Program for the prevention of bribery and corruption. As stated, such senior employee (hereinafter: "the Compliance Manager"), will be responsible, in addition to her other functions, for implementation of the policy, its administration and enforcement at all levels in the Company, and in all matters pertaining to the Company's business.

2) Functions of the Compliance Manager

In terms of this procedure, the Compliance Manager will report directly to the Company CEO, to the Enforcement Committee, as the case may be. The Compliance Manager will submit annual reports to the Enforcement Committee, detailing all the action that has been taken for the purpose of implementation of the Compliance Program in the previous year.

The Compliance Manager will be responsible for the following activities, will be engaged in them, and will enforce and play a leading role therein:

- Implementation of the resolutions and instructions of the Company's Board and/or of the Enforcement Committee pertaining to the Policy and the compliance program.
- Setting up an internal training program for Company employees and administering it in relation to the Policy.
- A fundamental investigation of ostensible non-compliance with the Policy and setting up the preventive procedures and facilities and appropriate disciplinary procedures to prevent a repetition of such non-compliance.
- Encouraging all the employees to report to the compliance manager any conduct of another employee which might constitute a breach of the Policy, including on a secret and confidential basis (in other words "whistle-blowing").
- Reaction, to any "red flag", in accordance with the Compliance Program.
- Distribution in the Company of appropriate and up to date notices, with a view to ensuring that all the Company's Employees are aware of the recent developments and updates in respect of the Policy.
- Preparation of an Annual Report to the Enforcement Committee, and participation in its meetings to deal with prevention of bribery and corruption issues.

3) The Enforcement Committee is to verify implementation of the Policy and will supervise and monitor it.

- The Company's Board has charged the Enforcement Committee, in addition to its existing functions, with responsibility for monitoring implementation of the Policy as stated in this procedure and with supervision of it.

- In exercising its functions as part of the aforesaid Compliance Program, the Enforcement Committee will operate in accordance with the Rules and Procedures existing in it, including regarding voting rights and procedures.
- The actions and responsibility of the Enforcement Committee relative to this Compliance Program shall include, *inter alia*, the following actions:

* In so far as the Enforcement Committee receives notification from the Compliance Manager about a “red flag” event, the Committee will assist the CEO and the Compliance Manager in the making of decisions regarding steps that must be taken in such cases.

* The Committee will meet annually with the Compliance Manager, to study reports that the Compliance Manager has submitted. At every such meeting the Compliance Manager will make a presentation of all the policy actions taken during the past period since the last meeting, including, *inter alia*, reports about contracts with new agents and the level of commissions that the Company has undertaken to pay, the relevant legislation in these areas pertaining to bribery and corruption, and the training and guidance given and carried out. The Compliance Manager will take all such reasonable steps as are at his/her disposal to implement the recommendations of the Committee concerning the Policy.

* Additionally, the Enforcement Committee will convene as and when necessary, when requested to do so by one of its members, or the Compliance Manager or the Company CEO.

4) **Annual Review for the Company’s Board of Directors.**

Once annually, as part of one of its scheduled meetings, the Company’s Board will receive an annual review concerning the Company’s implementation of the Policy and of the Compliance Program. In the context of such a review, the Company’s Board will consider the means and procedures taken to implement the Compliance Program and the Policy, and their enforcement, and will make a recommendation, to the degree that shall be necessary, to the CEO and the Compliance Manager, about the relevant updates and amendments necessary to the existing methods and procedures.

3. **Zero-Tolerance of Non-Compliance**

If an employee commits a breach of the Policy, the Company may dismiss the employee immediately for breach of his Contract of Employment with the Company. Additionally, if any third party having a business connection with the Company does not meet the requirements of the Policy, the Company may terminate the business relationship with him.

3. **THE POLICY DIRECTIVS AND REQUIREMENTS OF THE COMPANY’S EMPLOYEES**

1. **Engagement of Employees.**

The Company will not knowingly engage any person who has a background that is not consistent with the Policy.

2. **Policy and Instructions to Employees concerning the giving and receipt of gifts.**

- (1) Save where otherwise explicitly approved in Section 2(c) hereunder, an employee of the Company (including freelancers, sub-contractors who are directly employed or other categories of employees) shall not engage, on his behalf or on behalf of any third party, in an offer or authorization, or the promise of any gift to any third party, in relation to or in respect of any action or current or potential business opportunity of the Company or of any business venture in which the Company is a participant, either as the donor or the recipient of such a gift whether intentionally or otherwise where such a gift could be interpreted as a bribe, regardless of whether or not the donor or recipient of such a gift intended that it shall influence the outcome, or the terms and conditions, or the prospects of any bid/tender/offer/transaction.
- (2) No employee of the Company shall receive on his own behalf or on behalf of the Company, or on behalf of any third party, any gift in any way connected with the employee's employment in the Company or deriving from it, but only as explicitly approved under Section 2(c).
- (3) Notwithstanding the general prohibition on the giving or receipt of gifts, the Company recognizes that the giving of a modest gift, the exchange and receipt thereof (such as gifts that are a reflection of the local culture or history), are an expression of politeness, a custom as a gesture of friendship, and is not construed as a bribe or as an attempt to influence business decisions. Indeed, it is the case that the non-giving or non-acceptance of such gifts are likely to be interpreted as an insult. Accordingly, so as not to cause offence, the Company has drafted up to date instructions and rules concerning the making of gifts and their acceptance as detailed in **Appendix 1** to the Compliance Program ("Policy and Instructions Pertaining to Business Hospitality and to Gifts"). All the employees will strictly adhere to the Company's updated Policy and instructions regarding the giving and receipt of gifts.

3. **The Policy and instructions regarding business hospitality**

All the employees will adhere to the Policy and the Company's up to date instructions concerning business hospitality *vis a vis* third parties as is detailed in Appendix 1 to the Compliance Program.

4. **"Red Flags"**

If an employee encounters any "red flag" situation he must immediately act as follows:

- (1) Cease any activities relating to such a “red flag”
- (2) Make a “red flag” report to the Compliance Manager
- (3) Make a written note about the discovery, the nature, and facts of such “red flag”, and forward them to the Compliance Manager
- (4) Act in respect of such “red flag” solely in accordance with the Compliance Manager’s instructions.

The Compliance Manager will deal with all “the red flags” in accordance with the provisions of Chapter 3 of the Compliance Program (“supervision and control, enforcement and reporting”). Examples of red flags are attached to the Compliance Program as Appendix 2.

5. Reporting/Whistle Blowing

Every employee of the Company who knows of or suspects that an action or activity of any other employee (including a direct supervisor or employer), or of any business partner of the Company, or of any other third party, which is inconsistent with the Policy (meaning a “red flag”) or which arouses such a suspicion, is obligated to bring such a matter to the immediate attention of one of the following:

- (1) The Compliance Manager, the Human Resources Director, Ms. Liat Saguy, Tel. No. 03-6383265 or by electronic mail: liatsa@hilan.co.il
- (2) Chairman of the Enforcement Committee, Mr. Rami Entin electronic mail: ramentin@zahav.net.il

Although the employees should be encouraged to self-identify, while totally safeguarding their privacy, any such approach can be made anonymously, at the discretion of the employee

The Compliance Manager will accept all the complaints submitted to each of the said parties/persons. An initial investigation of the facts will be conducted, and the Compliance Manager will submit his/her findings, conclusions, and recommendations to the CEO, for him to deal with the matter in accordance with the provisions of this procedure.

6. It is obligatory for all the employees to collaborate fully with the Compliance Manager

All Company employees including the Company’s CEO, will collaborate fully and courteously and in due time, with regard to any requirements and instructions of the Compliance Manager.

7. The Employees will familiarize themselves with the Policy

- (1) Every Employee must be familiar with the Policy.

- (2) In this regard, all the new employees of the Company will sign the notification attached to the Compliance Program as **Appendix 3** before commencement of their employment in the Company.

4. THE POLICY DIRECTIVES AND REQUIREMENTS OF BUSINESS PARTNERS

1. The Company is sending a clear message to all business partners regarding zero-tolerance of bribery and corruption.

The Company will be sending a clear and unequivocal message to each of its business partners and clients regarding zero-tolerance in relation to bribery and corruption.

2. The Company will provide information to the business partners as to zero-tolerance in relation to bribery and corruption.

All the potential business partners and existing business partners, when renewing or updating a contract, will receive notification concerning zero-tolerance in relation to bribery and corruption in the first contract entered into by them with the Company (in other words, in conjunction with presentation of a draft agreement, non-disclosure letter etc.). The said notice will be given in the following manner:

- 1) A standard form of notice letter attached **as Appendix 4** to this Compliance Program, at the time of presentation of the Company's standard non-disclosure document or other contract document; or
- 2) Inclusion of a reference to the Compliance Program on the Company's internet website in the relevant binding document between the Parties, including where a confidentiality (non-disclosure) agreement has not been signed or there is no other initial documentary record between the Parties.

3. The due diligence investigation process for new agents

- 1) The Company will carry out a due diligence investigation process in respect of potential new agents in accordance with the provisions and definitions prescribed in this Chapter. The nature of such due diligence investigation will depend upon the available or obtainable information and the nature of the proposed business relationships; however, the due diligence process is likely to include all or some of the following actions:
 - (1) A review of the available information in the public domain about such potential agents by means of the internet,
 - (2) A check as to whether there have been any criminal proceedings or investigations or convictions against such potential agents.

In relation to potential agents, as such are defined in Appendix 5, the relevant provisions and definitions detailed **in Appendix 5** will also be applicable.

- 2) The person responsible for sales/marketing in respect of the projects or for the potential collaboration will bear responsibility for undertaking the due diligence investigation process and for notifying the Compliance Manager of any “red flag” or other suspicious finding, if any is found.
- 3) Certification of the Compliance Manager duly signed by her/him on the due diligence investigation form, or by electronic mail, will constitute a precondition of the Company for any contract in a business relationship with any potential agent in respect of whom a due diligence investigation was necessary under the aforesaid relevant provisions in Appendix 5.
- 4) If the due diligence investigation process gives rise to concern or suspicion of improper or unacceptable conduct on the part of the potential agent, the Compliance Manager will refer the matter to the Company’s CEO, in accordance with the provisions of Chapter 3 of the Compliance Program (“Supervision and Control, Enforcement and Reporting”).

4. **“Red Flags”**

In any relationship subsisting between the Company and any business partner, the Company will continue its monitoring of such a business partner in relation to any “red flag” and improper conduct or conduct that is inconsistent with the Policy.

In the case of a “red flag” which appears during a prolonged relationship with a business partner, the Company will proceed in accordance with the provisions of Chapter 5 of the Compliance Program (“Supervision and Control, Enforcement and Reporting”).

5. **Contracting with Agents**

In addition, and without derogating from the foregoing, the following specific provisions regarding the Company contracting with agents shall apply:

(1) **Due Diligence Investigation**

- (1) Before contracting with any new agent, the Company must carry out a due diligence investigation process required as stated **in Appendix 5A** to the Compliance Program.
- (2) If the agent completes a questionnaire, and thereafter ceases to work with the Company for a period of at least 1 year, he will be required to complete a new questionnaire prior to any new activity with the Company.

- (3) If the due diligence investigation process gives rise to concern or suspicion of improper or unacceptable conduct by the potential agent, the Company will deal with such an event in accordance with the provisions of Chapter 5 of the Compliance Program (“Supervision and Control, Enforcement and Reporting”).

(2) Amount of Agent's Commission

- (1) The amount of the Commission paid or to be paid by the Company to agents and other brokers shall under no circumstances exceed the customary level of commission that has to be paid to other agents/brokers operating in the same country in respect of the same type of product or service. The customary level of commission shall, in so far as possible, be independently verified (for example by consultation with one of the major market research companies or a firm of accountants working in the same field).
- (2) The fact that a commission is at the usual level customary in a country will not suffice *per se*. Additionally, the amount/rate of commission to be paid by the Company must be reasonable for the services supplied and the costs incurred by the agent including, *inter alia*: (a) degree, extent and length of the services that are to be provided and actions to be taken by the agent, at his expense and at his own risk in order to support the transaction (including marketing, negotiations and price bids); (b) the cost value to be generated for the Company by the agent when providing services in support of the said actions.
- (3) If the proposed agreement with the agent entitles him or a third party to the payment of a commission which exceeds the usual level of commission payable to other agents working in the same country in respect of the same type of product or services or where it appears to be unreasonable relative to the services to be supplied by the agent, the Compliance Manager must deal with the matter through a special purpose committee comprising the Company's CEO and Manageress of the Company's legal department ("the Agents' Commitment Committee"). The Agents' Commitment Committee will decide, according to the circumstances of the case, whether to approve or to refuse the proposed commission.

(3) Other Contract Conditions

- (1) Agreements with agents shall include a section whereby the agent confirms that he understands and is committed to Compliance with all the relevant laws for the prevention of corruption. This is a mandatory section and not open to negotiation and constitutes part of the Company's form of agency agreement.
- (2) All the contracts with the agents must be scrutinized and approved by the Company's legal advisors and by the Compliance Manager.

(4) Documentary Records

All documentation which reflects the work done by the agents and the nature of the payments to them, including due diligence investigation documents, the agency agreement and any record of meetings of the Committee and of its decisions, shall be kept by the Company on file for at least 7 years.

(5) Zero-tolerance towards payments by agents to Government Officials

The Company and its employees will not agree to pay or make any payment to an agent if they are aware of facts which point to the fact that the whole of such payment or part of it might be given by the agent to a holder of governmental office (including employees in commercial entities under government ownership or control) or another third party, with a view to obtaining or preserving business regardless of whether by influencing the decision or by an improper advantage.

5. SUPERVISION AND CONTROL, ENFORCEMENT AND REPORTING

1. Supervision Control and Enforcement Program

The Compliance Manager bears responsibility for verification of Compliance with all the policy and supervisory requirements.

2. Powers of the Compliance Manager

The Compliance Manager will be empowered to engage in the review and authentication of actions and will set-up mechanisms for verification of familiarity with the instructions and Compliance with them.

3. Report by the Compliance Manager

The Compliance Manager will publish Annual Reports to the Enforcement Committee, detailing the steps taken to distribute the program for the prevention of bribery and corruption and to supervise monitor and enforce it.

4. External Auditors

The Company's external auditors shall be familiar with the Policy.

5. Internal Auditor

The Company's internal shall be familiar with the Compliance Program and will receive copies of all the Reports submitted to the Enforcement Committee pertaining to implementation of the Policy and the Compliance Program.

6. Dealing with "Red Flags"

(1) The Compliance Manager will refer any "red flag" event to the Company CEO, after completion of the necessary initial investigation.

(2) **In cases of “red flag” events pertaining to a possible transaction with a new business partner (including agents),** the Company CEO may, in consultation with the Compliance Manager, decide:

- (1) Terminate the relationship with the new business partner; or
- (2) Conduct a further in-depth investigation into the matter. The precise details of such an investigation will depend upon the facts but all the relevant potential aspects must be included.

Following an in-depth investigation, the CEO may, in consultation with the Compliance Manager decide to continue the relationship with the new business partner. All the said decisions shall be in writing and brought to the knowledge of the Committee and the Enforcement Committee.

- (3) **In cases of “red flag” events that appear in the course of a due diligence investigation relative to a possible contract with a new agent** - in addition to the provisions of Section (2) above, any decision to continue a relationship with the new agent shall require a decision of the Enforcement Committee.
- (4) **In cases of “red flag” events that arise in the ordinary course of the Company’s business** - the Company CEO, in consultation with the Compliance Manager and with other relevant persons in senior positions, shall determine what steps must be taken by the Company. All the said decisions shall be in writing and shall be brought to the attention of the Enforcement Committee. The Committee may decide to hold a meeting with a view to dealing with any such decision, and in such a case the final decision of the Committee shall be binding.

7. STRICT ENFORCEMENT POLICY

The Company in general, and the Compliance Manager in particular, will enforce the Policy strictly, including the right to terminate the Contract of Employees and of business partners and agents who do not comply with the Policy.

6. TRAINING

1. Training of Employees

Following adoption of the Policy by the Company, the Compliance Manager will check implementation of the training program for the following Parties: Management, Marketing and Sales Personnel, Finance Personnel and other relevant parties dealing with the contracts with business partners (hereinafter: “the Relevant Employees”) which shall include, *inter alia*, the following subjects:

- (1) The Company’s Compliance Program for the prevention of bribery and corruption, its practical implementation and enforcement,

- (2) Instructions regarding business hospitality and the practicalities,
- (3) Conducting due diligence investigations of new or potential agents,
- (4) Identification of “red flags” and how to proceed when they are encountered,
- (5) Powers of the Compliance Manager and mandatory collaboration with the Compliance Manager,
- (6) Obligation to report about suspicious behavior/secret whistleblowing, and the channels available to employees because of such a Report.

The training shall be so structured as to ensure that all the relevant employees are updated about the changes and developments in the requirements and/or in implementation of the Policy and/or the worldwide battle against bribery and corruption. The Relevant Employees will receive updates from time to time about new investigations in the Company, necessitating a clarification of the Policy. The training records will be kept in the Company for at least 7 years.

2. Distribution of [Information about] the breaches and the means of enforcement

The Compliance Manager will from time to time distribute among the Relevant Employees, a summary of all the recent breaches of the Policy (outlining them in generic terms so as not to expose the employees involved) and the actions taken to enforce the Policy.

7. DOCUMENTATION AND BOOKKEEPING

1. Clear documentation of all the transactions, assets, and payments

The Company must keep its books and records, in reasonable detail, and which are an accurate and fair reflection of its transactions with its clients. Additionally, it must maintain a proper system of internal accounting controls. All the payments (expenses, gifts, business hospitality and any other payment) must be accurately reported and be documented in a precise manner. All the accounting records, reports of expenses, invoices, vouchers, and other business records must be fully and precisely completed and be properly preserved, reported accurately and be accurately documented. The following are several examples of prohibited records:

- (1) Creation of records which do not accurately characterize the genuine nature of a transaction or payment (for example, entering a payment as an “overhead expense” instead of “commission”),
- (2) Creation or maintenance of any non-recorded capital or asset of the Company, such as undocumented “petty cash” or “Black Box” [*the usual English expression is a “slush fund” - translator*]

- (3) Establishing or keeping bank accounts which contain company funds but are held in the names of private individuals.
- (4) Approval of or making a payment on the Company's behalf with the intention or on the understanding that any part of it will be used for any purpose other than that described in the document supporting the payment.

2. **Zero-tolerance vis a vis “off the book” transactions**

“Off the books” accounts which are designed to make it easy to or to conceal improper payments must not be kept. Moneys or transactions must not merely be labelled as “sundries”, and all cash transactions must be specifically and accurately recorded. Any transaction introduced by the Company's employees must be the subject of proper and precise internal authorization. Moneys, assets, or payments cannot be made or maintained for which no purpose has been publicized. Attempts to circumvent or evade the Company's internal audit accounting control are prohibited.

APPENDIX 1

POLICY AND INSTRUCTIONS PERTAINING TO BUSINESS HOSPITALITY AND GIFTS

1. Business Hospitality

1. It is acknowledged that it is normal established business practice worldwide, that the host company will invite potential clients/customers, business partners and other third parties (hereinafter together: “guests”) to dine in restaurants or in hotels during a visit or meeting. It is also customary that the Company will occasionally invite such guests to cultural events, such as concerts, the theater or to sporting events. Further, it is sometimes customary for the Company to invite a non-local client or a potential client to participate in the sampling or examination of a product, and as part of such an invitation, to provide the client with reasonable travel and board and lodging, or coverage of expenses, for the purpose of participation in such sampling. Such invitations to dine or to participate in cultural events, coverage of travel expenses (hereinafter together: “business hospitality”) are to be provided by the Company, subject to the following characteristics and to the following reservations:

- The costs and nature of the business hospitality in respect of every invitation shall be as stated in the context of the characteristics elucidated and/or prescribed by the Company pursuant to what is stated in this Appendix.
- Payment or reimbursement for costs of a spouse, a relative, or other accompanying persons are totally prohibited.
- All the costs involved in business hospitality provided by the Company are to be proved by proper receipts.
- All expenses of the business hospitality must be accurately recorded in the Company’s books and be supported by precise documentation and invoices.
- All the costs involved in business hospitality shall be supported by a business hospitality form specifying *inter alia*, the following details:
 - (1) The company/organization, names of the guests, and the positions they hold,
 - (2) The hospitality venues and nature of the business hospitality
 - (3) Justification for the business hospitality
 - (4) The costs of the said business hospitality.

Every such Form is to be signed by the Company employee responsible for the invitation to the guests, respectively.

2. Meals - if the estimated cost of the meal is up to NIS 200 per participant or NIS 1,000 in aggregate, the approval of the Assistant CEO of the Company must be obtained.

If the estimated cost of the meal exceeds NIS 200 per participant or NIS 1,000 in aggregate but does not exceed NIS 600 per participant, or NIS 8,000 in aggregate, additional approval must be obtained from the Company CEO.

Other business hospitality - if the estimated cost of any other business hospitality is up to NIS 2,000 in aggregate, the approval of the Company CEO or that of the Chairman of the Board of Directors of the Company must be obtained.

If the estimated cost of the meal or of the business hospitality exceeds these amounts it must be subject to joint approval of the Company CEO and the Chairman of the Company's Board of Directors.

Notes regarding the levels of authorization for a meal/business hospitality cited above:

- (1) "Aggregate" means the sum spent for the event on that company, department, office, ministry, or government agency.
- (2) If the above description does not accord with a certain business unit within the organization it must be construed in the same meaning of the executive in a corresponding functional position or the nearest to the relevant position held as detailed above.
- (3) All the authorizations shall be in advance and in writing. It is however acknowledged that, in the ordinary course of business, it is sometimes necessary to invite guests to meals unexpectedly. In such cases the guests can be invited for a normal meal and a report to that effect must be made subsequently to the authorizing executive.
- (4) Any employee who conceals or falsifies or does not disclose any expense of business hospitality, regardless of the reason, will be subject to disciplinary measures. Depending upon the gravity of the matter, such measures are likely to include a refusal by the Company to reimburse the expenses to the employee and/or to terminate the employment of the offending employee.
- (5) Any deviation from the business hospitality policy cited above necessitates prior written approval from the Company's Compliance Manager.

2. **Gifts**

Notwithstanding the general prohibition on the giving or receipt of gifts, the Company acknowledges the fact that in certain cultures, the giving of a modest gift, its exchange and receipt (such as gifts that reflect the local culture or history or modest mementos bearing the donor's logo), are a matter of politeness and custom as a gesture of friendship, and are not interpreted as a bribe or as an attempt to influence business decisions. In such circumstances the failure to give or accept gifts is likely to be interpreted as an insult. Accordingly, so as not

to cause offense in this way, the Company has drafted instructions concerning the giving and receipt of gifts in the ordinary course of its business:

(1) Receipt of gifts

- Modest gifts (of a value not exceeding NIS 200) and not of a personal nature (such as those bearing the donor's logo or that represents the local history or culture of the donor), can be accepted by the employee of the Company without prior approval. Gifts of a personal nature (such as jewelry, watches, etc.) and/or gifts not of a personal nature but whose value exceeds NIS 200 and/or gifts of an aggregate value in a calendar year that exceeds NIS 600 shall not be accepted by an employee without written approval from the Compliance Manager.
- Any gift requiring such approval will be reported to the Compliance Manager or his/her representative and will be recorded in the Register of Received Gifts. The Compliance Manager will determine whether such a gift can be kept by the employee or whether it is to be delivered to the Company and the event will be recorded.

(2) Provision of Gifts

- Modest gifts (of an aggregate value of up to NIS 200 per recipient) not of a personal nature, which are a reflection of the Company (such as a gift bearing the Company's logo) may be given by the Company's employee on behalf of the Company, in accordance with instructions prescribed by the Compliance Manager regarding the substance of such gifts and the nature of the persons to whom such gifts may be given. Examples of such modest gifts include - pens, laser indicators, framed photographs, photograph albums, commemorative calendars and certificates, small desk-accessories, etc. Modest gifts can only be given on behalf of the Company by sales/marketing managers or more senior personnel. Gifts with an annual aggregate value of more than NIS 600 shall not be made, without advance approval from the Compliance Manager or the Company CEO or the Chairman of the Board of Directors.
- Notwithstanding the foregoing, careful consideration must be given to the making of gifts to government officials and no improper attempt must be made to influence such government officials. Sales promotion items and items of minor internal value might be offered on a regular basis where an item has a retail value of less than NIS 50. Such items might include a coffee cup, a pen, pencil, photograph, or similar item containing the Company's logo. Any deviation from this instruction will depend upon the legally permitted sum, and accord with the local norms and will necessitate advance approval in writing of the Company Compliance Manager. In general terms, it is recommended that gifts given on behalf of the Company should bear its name and/or logo, or otherwise indicate that they have been presented by the Company.

- Gifts or any other present of value given or promised in return for influence over any actual or potential transaction or over a business opportunity or to obtain an unfair advantage, are totally prohibited.
- Cash gifts (even in small amounts) or within the packaging of a gift given as repayment for goods and services, are totally prohibited.
- All the gifts are to be given openly.
- Gifts purchased by employees of the Company and given on behalf of the Company are to be reported in the expenses reports of the employees. Any employee who conceals, falsifies, or fails to disclose any expense of gifts regardless of the reason, will be subject to disciplinary measures. Depending upon the gravity of the matter, such measures are likely to include a refusal by the Company to refund the cost of expenses to employees and/or termination of the offending employee's employment.
- All gifts that are given, of an estimated value exceeding NIS 200, shall be recorded in the Register of Gifts to be kept by the Compliance Manager or his/her representative.
- The policy cited above shall apply in the same degree to the making of gifts to spouses, other relatives or persons associated with governmental officials.
- The policy cited above shall also apply in a case in which employees of the Company are invited to participate in private events of government officials, their spouses, or other relatives, to whom it is usual to make gifts.

3. **Donations**

The Company is in favor of donations, largesse, and other forms of charity. A risk does however exist that a certain donation or charitable gift will be interpreted as a direct or indirect form of unlawful largesse to government officials. To avoid this, all the donations made by the Company shall be subject to the following requirements:

1. No donations, largesse, or any other form of charity not for the purposes of profit (hereinafter "donations") shall be made directly or indirectly, for the benefit of a government official, as such term is defined by law.
2. Before making any donation, the Compliance Manager shall verify that the intended recipient of the donation is not directly or indirectly, a government official.
3. All such donations are to be documented and recorded in a Register of Donations to be kept by the Company.

APPENDIX 2

EXAMPLES OF A “RED FLAG”

- Making or receiving a payment or providing a benefit, in the absence of a clear contractual obligation to do so.
- Making or receiving a payment or providing a benefit to any person or body, without the recipient giving a receipt for such payment or benefit.
- Transfer or receipt of any payment into a bank account not registered in the name of one of the parties to the transaction.
- Making a payment or receiving a payment in cash.
- Any agreement for payment of a conditional fee or a conditional commission to an agent, where such conditional fee or conditional commission, or the agent, have not been approved in advance by the Company in accordance with procedures prescribed in the Compliance Program.
- Any proposed transaction in which more than one agent is involved.
- Any person or company representing or employed by the Company or deemed to be representing or employed by the Company who has been accused of improper business activity.
- Any person or company representing or employed by the Company or deemed to be representing or employed by the Company that has a family or other relationship that could unduly influence a decision of a government official.
- Any person or company representing or employed by the Company or deemed to be representing or employed by the Company who approaches any of the Company's employees on or at or about the date of the contract or the procurement decision and claiming to have a special arrangement with a government official.
- Any person or company representing or deemed to be representing the Company, who insists on receiving payment of a commission before notification about the contract or the procurement decision.
- Any commission or other payment to be made to a third party which appears to be disproportionate relative to the services being provided.
- Any commission or other payment to be made to a third party, which exceeds the average amount of commission in that field for the type of transaction in question.
- Any request of a government official that a certain agent, contractor, or subcontractor be used where such contractor or subcontractor are not normally used or are not known to the Company.
- Any person or company representing or deemed to be representing the Company, who ostensibly lacks qualifications or resources to provide the proposed services.
- Refusal of a partner in a foreign joint venture or of a representative to provide a declaration that he will take no action to advance a bid, a promise or unlawful payment to a foreign public official and not to take any action that will cause the company to commit a breach of this document.
- Any person or company representing or deemed to be representing the Company, engaging in an unspecified above average number of undetailed transactions described by

explanations such as “miscellaneous”, “general”, “others”, “consultation”, “leisure”, “entertainment” etc.

- Any person or company representing or deemed to be representing the Company, that have transactions called “assistance payments”.
- Any person or company representing or deemed to be representing the Company, making payments for travel, tuition fees and stipends for relatives of foreign officials.
- Any person or company representing or deemed to be representing the Company, making donations to charitable organizations identified with foreign officials.
- Any person or company representing or deemed to be representing the Company, involved in transactions the timing of which coincides with certain decisions of foreign officials.

The foregoing is not an exhaustive list, but it is evidence of the types of actions or activities of an employee of the Company or of a business partner which should arouse a suspicion of being activities in contravention of the Policy.

APPENDIX 3

NOTIFICATION LETTER TO EMPLOYEES REGARDING THE POLICY

To: (Employee's Name)

Dear _____,

We hereby give you notice that **Hilan Ltd** (hereinafter: "the Company") is introducing a zero-tolerance policy regarding bribery and corruption, in relation to itself and in respect of all the business partners, suppliers, subcontractors and agents working with it (hereinafter: "the Policy").

The following are the main points of the Policy:

- The Company will not offer, give, or receive a bribe or incentives for any purpose, either directly or through a third party.
- The Company will not knowingly associate itself in business relationships with any person or body that gives or receives a bribe or incentives for any purpose, either directly or through a third party.
- The Company will comply with all the applicable statutory, regulatory, and contractual requirements that apply in relation to the battle against bribery and corruption.
- The Company will bring to the knowledge of every employee of the Company, the zero-tolerance policy *vis a vis* bribery and corruption, and to the knowledge of every business partner or potential business partner.
- The Company will strictly implement the zero-tolerance principles detailed above *vis a vis* bribery and corruption, will monitor them, and enforce them in respect of all its employees and business partners.
- The Company will implement, monitor, and enforce the procedure as to the giving and receipt of gifts and the business hospitality code, which binds all the Company's employees.

Attached as an Appendix to this Letter are explanations of the Policy, the Company's directives in relation to gifts and business hospitality.

Yours truly,

Hilan Ltd

Declaration of the Employee

I hereby certify that I have read the provisions of the aforesaid letter (and its appendix) which prescribes the Company's Policy, and I am aware of the Company's zero-tolerance policy towards any form of bribery and corruption in all of its business. I hereby undertake to comply with the provisions of the Policy.

Signed by *(Name of the Employee)*

APPENDIX 4

**NOTICE TO BUSINESS PARTNERS PERTAINING TO PROVISIONS FOR THE
PREVENTION OF BRIBERY IN THE COMPANY'S CODE OF CONDUCT AND
BUSINESS ETHICS**

To: *(Name of the Potential Business Partner)*

Dear Sir/Madam

We hereby give you notice that **Hilan Ltd** (hereinafter: "the Company") is introducing a zero-tolerance policy regarding bribery and corruption, in relation to itself and (in respect of its business partners, suppliers, subcontractors and agents working with it (hereinafter: "the Policy").

The following are the main points of the Policy:

- The Company will not offer, give, or receive a bribe or incentives for any purpose, either directly or through a third party.
- The Company will not knowingly associate itself in business relationships with any person or body that gives or receives a bribe or incentives for any purpose, either directly or through a third party.
- The Company will comply with all the applicable statutory, regulatory, and contractual requirements that apply to the battle against bribery and corruption, as a minimum. Furthermore, in many cases in which the Company sets its own high standards, the Company will apply them firstly.
- The Company will bring to the knowledge of every employee of the Company, the zero-tolerance policy *vis a vis* bribery and corruption, and to the knowledge of every business partner or potential business partner of the Company.
- The Company will strictly implement the zero-tolerance principles detailed above *vis a vis* bribery and corruption, will monitor them, and enforce them in respect of all its employees and business partners.

Yours truly,

Hilan Ltd

We *(name of the company)* hereby certify that we have received the aforesaid letter and have read it, and are aware of the Company's zero-tolerance policy towards any form of bribery and corruption both in respect of itself and in respect of all the business partners, suppliers, contractors, subcontractors and agents working with it.

Name: _____

Description: _____

Date: _____

APPENDIX 5

INSTRUCTIONS REGARDING DUE DILIGENCE INVESTIGATION

1. The Company will engage in a process of due diligence investigation in the following instances:
 - (1) Prior to commencement of a contract with agents.
 - (2) Prior to commencement of a government-related joint transaction with a third party.
 - (3) Whenever the Compliance Manager takes the view that such a due diligence investigation process is necessary, for any other reason.

For the purposes of this Appendix all the foregoing shall be called “**potential agents**”.

2. The purpose of a due diligence investigation of potential agents in the context of this Compliance program is to verify, to a reasonable degree, the integrity, and past recorded achievements of potential agents in relation to bribery and corruption. The Company will not bind itself to a business relationship with any potential agent, without the following steps having been taken.
 - (1) The due diligence investigation process in relation to such potential agent has been completed (as evidenced by completion of the Due Diligence Investigation Form),
 - (2) No actions were revealed during the due diligence investigation process which might breach the Company’s zero-tolerance policy towards bribery and corruption.
3. The substance of the due diligence investigation process will depend *inter alia*, upon the nature of the contacts with the target entity or person and joint action with them, availability of the information in the public domain and records about the target entity or person, the cultural and political environment in which the target entity or person is operating.
4. As part of the due diligence investigation, the Company [uses] the due diligence investigation form a copy of which is attached hereunder as **Appendix 5A**. This Form it to be completed by the party in the business entity charged with responsibility for the potential transaction and is to be submitted to the Compliance Manager for his/her approval as a precondition to the commencement of any business relationship with the potential agent.
5. For the removal of doubt, the due diligence investigation process outlined in this Appendix is solely for the purpose of making a determining regarding the compliance policy, and does not

constitute a commercial due diligence investigation as to the business status and stability of that person or entity. A commercial due diligence investigation is likely to be conducted separately, in addition to the due diligence investigation in relation to the Compliance Policy.

APPENDIX 5A

DUE DILIGENCE INVESTIGATION FORM

This form must be completed by the sales/marketing person responsible for the project/potential transaction. Thereafter, it must be sent to the Company's Compliance Manager for the Prevention of Bribery and Corruption (hereinafter "the Compliance Manager") for approval before any contract is signed with the person or body that is the subject of the due diligence investigation (hereinafter: "the Party").

Name _____ **The Party** _____ **The Investigated Party "the Examinee"** _____

The Project: _____

1. * The Company's Policy has been brought to the attention of the Examinee

2. * The Examinee acknowledges that a provision must be inserted in any contract between the Party and the Company which enables the Company to terminate this contract/agreement as a last resort if the Party does not comply with the Policy of the Company against bribery and corruption.

3. * That the Company's standard clause relating to bribery and corruption will be included in any draft of the contract/agreement signed with the Party.

4. Is the Party aware of any record of criminal investigations or convictions relating to bribery or corruption or moral turpitude? If the answer is "yes", kindly state this in the appropriate place under the relevant dates, and the corrective action taken and/or penalty imposed.

5. Does the Party have a code of conduct and business ethics (or its equivalent) and/or a Compliance Program for the prevention of bribery and corruption (or equivalent) and/or a Prevention of Bribery and Corruption Compliance Manager (or equivalent)?

6. Kindly describe the manner of introduction of the Party to the Company.

7. Kindly state - with regard to each of the countries involved in the potential project of the Party, to what extent is bribery and corruption of government officials (1) a rarity, (2) occasional or (3) a common custom in the local business culture. To the degree that it is possible, please refer in this matter to reports and surveys prepared and carried out by reputable international organizations such as "International Transparency Israel".

8. Were any "red flags" or suspicious findings revealed or discovered during the due diligence investigation? ("**red flag**") - any activity or incident giving rise to concern as to improper conduct, including any of the actions or activities detailed in the Appendix to this Due Diligence Investigation Form).

Signed by *[the name of the person responsible for the due diligence examination must be inserted]*

Date: _____

Approved by signature and certified by the Compliance Manager: _____

