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## **Ethical Code at Rafael**

### **Introduction from the CEO**

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.

**Yoav Har Even**  
CEO of Rafael

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## **The Rafael Ethical Code**

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## **Declaration of Intent**

Rafael Advanced Defense Systems Ltd. has taken on the responsibility of following rules of ethical behavior on a regular basis.

Rafael's ethical code is the moral and normative identity document for activity in the company, with the aim of raising ethical standards, including aspects of responsibility, reliability, honesty, professionalism and sensitivity to the question of how things may appear. The ethical code also expresses Rafael's commitment to its employees, and to maintaining respect for individuals, in particular their life and health, maintaining the quality of the environment, and commitment to customers, suppliers and the community, alongside the contribution to the security of Israel.

The ethical code as expressed in the rules defined in this document includes values, standards, distinctions and binding rules of conduct, and distinguishes between what is proper/ permitted and what is improper/ not permitted in all areas of activity.

The chapters of the ethical code include benefits in kind and conflict of interests, marketing and sales, customers, relations with suppliers and competitors, protecting property and rules for the working environment.

In general, Rafael's managers and staff are required to act and make decisions based on the company's purpose and vision, its values, goals and objectives, and according to the ethical code. All Rafael managers and staff are responsible for using their best professional and business judgment when acting and making decisions, and are expected to place the good of Rafael as a whole over the good of their own division or unit, and to encourage cross-divisional cooperation.

Rafael complies with all laws and regulations applying to it, including the rules of good management. The rules of Rafael's ethical code are based, inter alia, on the requirements of laws, regulations, directives, norms and international rules of conduct.

The ethical code is binding on each and every manager and member of staff in Rafael.

Rafael has a comprehensive set of procedures to regulate its activities in various areas and it is careful to observe them.

As a moral, quality company, Rafael is committed and subject to the restrictions applying to government corporations, and to working in the community towards a better future for the company and the State. Its areas of activity include involvement in education in general, and science education in particular, and help and assistance for people with special needs. Rafael works harmoniously with local residents.

This ethical code is for the benefit of Rafael Ltd., and no other person or entity may enforce it. The code is not and must not be perceived as creating private reasons for action or a remedy for any person or other entity against those who breach the code. In addition, this code must not be interpreted as an employment contract and does not change anyone's employment status

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The following ethical code is a collection of rules and instructions relating to various aspects of organizational activity. The code is intended to serve as a basic declaration of principles and standards and does not include specific instructions. In every case the code must be examined in the framework of policies, customs, and the binding provisions and demands of laws and procedures. In addition, the absence of a specific policy or corporate directive covering a particular case does not negate the obligation for ethical conduct in those circumstances.

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## **Vision, purpose, goals and objectives of Rafael**

### **Rafael's vision and purpose**

To be a meaningful part of the security of Israel, as an innovative global company that is growing and profitable, that develops and creates defense systems at the forefront of combat needs and the cutting edge of technology.

### **Rafael's goals and objectives**

- To serve as a national center for defense research and development and an important element in the construction of Israel's deterrent and protective capability.
- To develop and nurture Rafael's human resources as a central, leading value, in order to serve as a magnet and provide a unique professional challenge for individuals who excel in the company's various fields of activity.
- To focus on areas where we are leaders and to strive to be leaders in every area that we choose to engage in.
- To grow as a business and ensure economic profit margins.
- To create sufficient sources of funds for the investment required in human resources, R&D and infrastructures for research and production.
- To work as a globally growing company in a balanced way through the development of technologies and products, partnerships and acquisitions of companies in Israel and abroad, maintaining a general ratio of 70/30 between sales to the defense system and customers overseas.
- To maintain a network of contacts with the company's customers and suppliers, putting the customer at the center of Rafael's response and support systems.

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## **The values by which Rafael operates**

### Daring, innovation and professional excellence

We will create an organizational environment that supports daring and innovation and takes the long view, while making full use of the talents of individuals and groups at all levels and fields of activity within the organization - scientific, engineering, organizational and business.

We will encourage employees to enhance their professional level and broaden their fields of specialization, to provide a basis for growth and daring, while reducing risk levels.

We will be open to unconventional ideas and will maintain an environment that is tolerant of those who go against the stream.

We will be understanding about mistakes that derive from risk taking, as an important part of the learning process, while drawing conclusions in an open, focused way and applying the lessons wisely and with courage.

### Commitment to customers

Loyalty and commitment to customers will be a central component, expressed by a striving to provide our customers with maximum value in solutions, products and service, while following rules to protect Rafael's core property and economic strength.

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

### Commitment to employees

We will seek to foster a set of values and a working environment that will give each company employee a feeling of belonging and allow him to make full use of his abilities, to feel satisfaction and pleasure in his work, and pride at being part of Rafael.

We will base the mutual commitment system between Rafael and its employees on trust, openness, integrity and striving for achievements, with a shared desire for stability and long term relationships.

Promotion and rewards will express personal and group achievements, with consideration for the company's financial strength and ability to meet objectives.

### Determination and striving to achieve objectives

The competitive environment will act as a spur to personal and group achievement.

We will encourage perseverance, determination and an uncompromising striving to meet challenging goals, in all aspects of company activity, while being strict about professional ethics, wise management of resources, and working as a team to achieve broad aims.

## **One Rafael**

Team work at all corporate levels, including close cooperation between divisions, is the basis for achieving Rafael's main goals.

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We will encourage cooperation at all corporate levels, through a system of rewards and assessment that take account of the contribution of individual managers and employees to the success of team work and the success of their colleagues.

We will maintain openness and transparency between divisions and foster a spirit of shared responsibility at all levels.

We will maintain consistent standards and symbols, to serve as one organizational identity, expressing shared responsibility, modesty, quality and esthetics, without affecting the centrality of the individual employee and his pride in the unit to which he belongs.

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## **Summary of the Ethical Code**

### **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.

Rafael forbids its employees to make use of insider information for personal advantage.

### **Marketing, sales and customers**

Rafael will comply fully with the laws of the State of Israel, the OECD Treaty and the laws of the various countries in which it operates, on all aspects of preventing bribery of foreign authorities, because of its desire to manage its business worldwide in an ethical, honest and moral fashion.

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

Rafael's advertising will be accurate and reliable.

Participation in tenders will be fair and according to accepted rules of conduct.

Rafael's price quotes will be fair.

Rafael will conduct negotiations in a suitable, trustworthy and fair manner.

Rafael will be meticulous about accurate wording of its contracts and offers, and is careful to comply with the promises contained in these contracts and offers.

In all its dealings with elements overseas, Rafael will be careful to respect the laws and customs of the country where the contact takes place, on condition that they do not conflict with the laws of the State of Israel.



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## **Relations with suppliers and competitors**

The process of making decisions regarding procurement, sales and contact with suppliers will comply with the law, Rafael procedures and the rules of integrity.

Rafael will manage its activities and business with respect to competitors and business partners in a direct and honest way, to preserve the rights of all parties. Rafael will make use of legal means to promote its products, collect competitive information, and for any other purpose.

## **Protecting property**

Rafael's property will be used by its employees exclusively for Rafael's purposes.

Rafael employees will be meticulous about the proper use of computers and the information on them in order to avoid situations that could pose security and business risks for Rafael, and unknowingly harming individual rights or third party rights.

Rafael requires its employees to be cautious when using and saving its own information and intellectual property and that of others, and to follow the procedures and guidelines on this subject.

Rafael will be meticulous about proper use of the property of customers and suppliers.

## **Concern for the work environment**

Rafael will maintain a healthy, safe, creative and productive work environment, free of fear or harassment.

Rafael will hire employees on the basis of their skills, education, suitability to requirements, and without discrimination or preference and for a suitable salary.

Employee promotion, assessment and compensation will be determined by line managers on the basis of their achievements, without bias, discrimination or prejudice

Managers and staff will operate within their sphere of responsibility and authority only, and their decisions will be based on their best professional and business judgment and in the best way possible for Rafael.

Rafael will be strict about protecting the privacy of its employees and anyone who has business contacts with it.

Rafael will be meticulous about giving reliable and accurate reports according to the rules and principles of the ethical code.

Rafael will act to prevent use of its employees, its facilities and its image for political purposes in Israel and overseas, or exploitation of the company, its status and image for purposes of political gain.

Rafael assumes an obligation to set up and maintain a system for environmental management and to operate in accordance with international and local rules and regulations

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regarding its products and services.

Rafael understands the importance of communication with the community. Rafael employees contribute within the Rafael framework to suitable aims and volunteer their skills and ability for the benefit of the community.

As a government corporation, Rafael is not permitted to give a contribution or sponsorship that involves any payment by the company.

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## **Implementing and reviewing the ethical code**

### **General**

The ethical code describes Rafael's approach to proper conduct and the processes and actions used to implement this approach in Rafael's daily activity. For that purpose, Rafael adopts a series of steps to implement the rules of the ethical code.

### **Implementation plan**

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 Infonet 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.

### **Issues and advice**

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.

### **Employee's Guide**

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.

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### **Dealing with deviations/ complaints**

- An employee who identifies a deviation from the ethical code should contact his line manager or the ethical trustee or VP Human Resources & Organization.
- Deviations and complaints on any matter can be referred to the internal audit.
- 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.
- 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.
- 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.

### **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.

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## **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.

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## **The Ethical Code of Rafael**

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## **1. Benefits in kind, gifts and conflict of interest**

### **1.1. General**

Rafael will conduct its business in a responsible, fair manner, so that all its activities comply with the law and the rules of proper business conduct. All Rafael employees will be required to conduct themselves with integrity, reliability and fairness, in their dealings with others, including customers and suppliers.

The ethical code expresses the criteria and rules that are important to Rafael.

Rafael employees who are "public employees" are also subject to the rules that are binding on public employees.

In any case of doubt, employees should consult their direct managers for instructions/ clarifications.

### **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.
- c. Any suspicion that a Rafael employee/ representative has not acted with integrity in the performance of his duties could require investigation by the security authorities and other relevant entities, and reporting to the appropriate authorities depending on the matter and the circumstances.
- d. Rafael will encourage its employees to report any suspicion of an offense against integrity and will lawfully protect those who report such suspicions.
- e. The internal audit unit will be the address for complaints from the public and will investigate the complaint and make recommendations for any remedial action.

### **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.

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- 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.
- d. An employee may receive a small personal gift from people in Rafael to mark a personal event or according to custom in the circumstances.
- e. 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.
- f. 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.
- g. 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.
- h. 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.
- i. Rafael will allow employees to receive prizes awarded by public bodies, whether or not this prize is connected to their work in the company.

#### **1.4. Conflict of interests**

- a. 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.
- b. Rafael will demand that its employees avoid cash investments or any other business activity that could create a conflict of interests.



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- c. 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.
- d. 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.
- e. No Rafael employee shall receive payment in any form whatsoever for services performed for Rafael from any source except Rafael.
- f. In any case of doubt, the employee should raise the issue with his manager of field manager level or above.

#### **1.5. Use of inside information for personal benefit**

- a. Rafael prohibits its employees from using inside information (information that is not in the public domain) for purposes of trading in shares of companies that are connected or in the process of making connections with Rafael or for any other purpose that could give the employee economic or personal advantage.
- b. Rafael prohibits its employees from transferring information that is not in the public domain and that has reached them in the framework of their work in the company.
- c. Classified information (business or security) or other information can be transferred to those who are authorized to receive such information.
- d. Rafael asks its employees to inform their direct managers if they invest or hold shares or have control of a shareholding in a competing company/ organization, linked company, supplier or customer of Rafael, and this investment or holding or control of shares could affect or appear to affect such employees' ability to carry out their duties impartially.
- e. Rafael will be strict about enforcing proper use by its employees of information from foreign elements that reaches them in the framework of their work and prohibits the use of such information for personal advantage.

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## **2. Marketing, sales and customers**

### **2.1. General**

The customer is a central asset for Rafael and it is vital to keep customers happy.

Rafael provides its customers with services and products based on advanced technology, while maintaining quality and reliability.

Rafael manages its contacts with customers and business partners through its authorized employees, with integrity, honesty and trust, and does not accept dishonest conduct or conduct that could be interpreted as dishonest by its employees.

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.

### **2.2. Publications**

- a. Rafael's business publications will present the company, its capabilities, products and services to potential customers. The publications will support the marketing effort by highlighting Rafael's technological, managerial and organizational abilities and its extensive and varied experience.
- b. Rafael's publications, products and services will be accurate, reliable, credible and in line with company policy.
- c. Only content that has been approved according to company procedures will be published.

### **2.3. Participation in tenders**

- a. Rafael will participate in tenders based on the specified rules, the laws of the country where the tender is issued, accepted international norms relating to tenders, and according to the specific requirements of the tender issuers at all stages of preparing and submitting the response to the tender.

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- b. Rafael expects to win tenders on the basis of its advantages and qualities compared to the competition and by making them clear to customers, without attempting to prejudice the results.
- c. Rafael requires any employees involved in responding to tenders to be thoroughly familiar with the special laws of the country where the tender is published and the special rules defined for each particular tender, to avoid deviating from local ethical rules and the laws of the State of Israel.

#### **2.4. Submitting price quotes**

- a. As early as possible in the process of preparing a price quote, Rafael will examine all aspects of its ability to deliver, including timetables, product quality and reliability, a realistic assessment of the risks expressed in monetary terms, reciprocal procurement, contractual terms of the purchaser, collateral, approvals, permits required, licenses and security restrictions.
- b. Rafael will submit price quotes with the aim of increasing sales of company products, using its business judgment to achieve maximum possible profitability while setting competitive prices and maintaining Rafael's reputation.
- c. Price quotes will be prepared on the basis of cost and profit calculations and according to the guidelines issued to Rafael units.

#### **2.5. Managing negotiations**

- a. Rafael will ensure that in the negotiating process, its employees/ representatives act properly, reliably present the company's advantages, and conduct themselves with honesty and integrity.
- b. The transaction leader will make no undertakings to the customer, even verbally, regarding extras and enhancements that are not defined and included in the price quote or the contract, and will follow the instructions given for the negotiations.

#### **2.6. Signing contracts**

- a. Rafael will be meticulous about frankness and accuracy in the wording of contractual terms, and will make sure that it has the ability to comply with all the terms.
- b. Rafael will ensure that the final text of the contract to be signed following negotiations with a customer accurately specifies all the business, legal, technical and financial terms, including: definition of products, acceptance tests, location of handover and transfer of ownership and the terms thereof, location, terms and dates of supply, collateral, warrantees, training, technical literature, spare parts and customer service.

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- c. In its contracts with customers, Rafael will not include any clauses that are contrary to the law or trade restrictions, and will seek to obtain all required permits and licenses, so that the contract can be executed in the framework of the applicable law.
- d. Rafael procedures ensure that only authorized signatories defined in the company's procedures or their legally appointed proxies may sign contracts on behalf of Rafael and that its employees shall not deviate from their authority to create an obligation towards any third party.
- e. Rafael will take steps to ensure that its obligations and rights pursuant to contracts are fully exercised.

## **2.7. Trade restrictions**

- a. Rafael is a law-abiding organization, which complies with all relevant legal provisions. Reflecting this principle, it is Rafael policy in its routine business activity to strictly follow the provisions of the trade restrictions laws, as expressed in the Restrictive Business Practices Act, 5748-1988 and in legal rulings.
- b. As a rule, trade restrictions laws prohibit actions that could affect competition. In addition to the general ban, there is a whole range of permits, some general and some requiring approval or exemption from the relevant restrictions authority. Rafael has adopted a program for compliance and also has a procedure on the subject of trade restrictions. By virtue of this program, a compliance officer has been appointed who is responsible inter alia for dealing with any issues relating to the provisions of the law.
- c. Each of the relevant employees is responsible for reading Rafael's internal Guide to the Restrictive Practices Act compliance program, for confirming in writing that he has understood it and that he undertakes to act in accordance with these instructions.
- d. A breach of the trade restrictions law could have serious consequences - criminal and civil liability, both for the company and its directors and the individuals involved. Every employee must be thoroughly familiar with the provisions of the Guide and act accordingly. The company will take any breach of these instructions very seriously and use any suitable means, including disciplinary means, against those who breach them.

## **2.8. Customer service**

- a. Rafael will ensure that its customer service is professionally and commercially fair and in line with its contractual obligations.
- b. Rafael will strive to solve any problems that arise after products are delivered, operated and maintained, and in accordance with feedback received from customers.

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## **2.9. Relations with overseas elements**

- a. 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.
- b. 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.
- c. 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.

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### **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.

#### **3.3. Relations with competitors**

- a. Rafael is involved in a wide range of activities and has many competitors worldwide. Rafael assesses itself as a leader in some fields and is careful not to smear its competitors and other companies.
- b. Rafael will manage its activities and business in a fair and honest way, while preserving the rights of other parties.
- c. Rafael employees, suppliers and representatives will be instructed not to obtain or try to obtain information about competitors in unlawful ways.

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- d. Rafael will encourage open and fair partnerships, subject to the provisions of the law, including laws on trade restrictions, and does not create secret partnerships with competitors, which could involve misleading customers. The contents of the section on trade restrictions (2.7 above) will also apply to cases of arrangements with suppliers and competitors pursuant to this chapter.



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## **4. Protecting property**

### **4.1. General**

- a. Rafael invests a great deal of effort and is very careful to protect its property against improper use, including use for purposes other than those of Rafael.
- b. Rafael's property is used by its employees solely for the purposes of Rafael. The company bans the use of its property for purposes of personal gain or benefit or activities not related to Rafael, even after working hours.

### **4.2. Equipment and fixed assets**

- a. Rafael attaches great importance to efficient management of equipment and tools, and takes care that every item of property/ equipment received by the company is recorded in Rafael's register of property according to its type. Durable assets are verified by a survey of property and assets.
- b. Rafael will demand that all its employees are meticulous about protecting property and report to their managers any change in the condition of any property, including location, loss or damage. Rafael employees are instructed to use equipment according to their fields of expertise and the purpose for which the equipment is intended.
- c. Goods may only be removed from Rafael pursuant to its needs and according to its procedures.

### **4.3. Use of computer systems**

- a. Rafael will be meticulous about proper use of computers to prevent situations that are dangerous to Rafael's business and unwitting damage to individual or third party rights.
- b. Rafael will demand that company computers are used for company purposes only, including software that has been approved by the proper authorities and legally purchased or obtained, according to the terms of purchase/ receipt and to prevent the introduction of files with improper content.
- c. Rafael educates for special alertness on the subject of "computer security" by means of procedures and regular training of employees, who are instructed to protect classified material (security and commercial) as specified in the procedures.
- d. Rafael will ask its employees to be strict about proper and intelligent use of the Internet, telephone and fax for the company's purposes only, except in unusual and/or essential cases and in accordance with security restrictions and in a way that will not allow leaks of security and business information or unauthorized penetration of the Rafael network. Employees must ensure that their use of the system is not causing any damage to Rafael or to its image, customers, partners, suppliers or any other person or organization associated with it



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- e. Rafael maintains an information security system to prevent leaks and protect individual privacy.

#### **4.4. Intellectual property**

- a. Rafael nurtures innovation and accumulates intellectual property which expresses the knowledge and information that the company has acquired in technical, engineering, commercial, administrative and other fields.
- b. Rafael will be strict about instructing its employees to protect its intellectual property and its rights regarding developments and inventions by its employees in the framework of their work, including by means of registering patents, trademarks and other means, in Israel and in other countries, at Rafael's discretion and subject to the law.
- c. Rafael will demand from its employees to be cautious in their use of information and to follow procedures and guidelines specifying the supervision and control of the use of information and its exposure to elements outside Rafael.
- d. Rafael generally signs "confidentiality agreements" with external elements connected to its business activity, and respects its obligations in similar confidentiality agreements signed with others.
- e. Rafael will be meticulous about the proper security of hardware and software components in order to ensure that its classified databases (for security and business reasons) are isolated and secured against leaks to unauthorized elements, and prohibits the transfer of information to unauthorized employees and/or elements outside Rafael.
- f. Rafael will respect the copyright of others.

#### **4.5. Property of customers and suppliers**

Rafael is meticulous about treating the property of its customers and suppliers just as it treats its own property. Rafael ensures that such property is handled in a responsible way, according to the purposes and uses agreed with the customers and suppliers, while securing business and security information.

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## **5. Working environment**

### **5.1. General**

- a. Rafael will strive to maintain a healthy, safe, creative and productive work environment, free of discrimination and harassment.
- b. Rafael will not tolerate actions, comments or defamation based on race, religion, ethnic group or sexuality, or discrimination based on physical disability and any other comment or behavior in the work place that creates, encourages or imposes a hostile, threatening, violent or improper atmosphere, and will be strict about preventing harm to individual dignity and freedom.
- c. Rafael will encourage excellence and the improvement of professional ability, honesty, team work, mutual respect and open communication between employees. Rafael expects its employees to act honestly, responsibly, accurately, fairly, professionally, with dedication, perseverance and loyalty to the company and the State of Israel.
- d. Rafael will encourage and respect the right of every employee or manager to present a different position, to criticize Rafael, its actions and products but at internal management and professional forums. In any event, after a decision is made, the employee must accept the decision of his managers and act in accordance with the applicable laws, procedures and rules.
- e. Rafael will prohibit sexual harassment and acts in accordance with the legislation on this matter. Rafael has also appointed, as required by law, someone to be responsible for receiving complaints of sexual harassment, giving advice, support and guidance.
- f. Rafael will secure the rights of, support, compensate and value the activity of its employees who are serving in the army reserves.

### **5.2. Employment**

- a. Rafael will hire employees on the basis of their skills, education, suitability to requirements and without discrimination, for commensurate pay.
- b. Rafael upholds agreements with various worker sectors.
- c. Rafael's policy and procedures support freedom of occupation and worker mobility between units, based on Rafael's needs and the employee's abilities.
- d. Promotion, assessment and compensation of employees are determined by managers based on the employees' achievements and Rafael's policy.
- e. Employment of family members is controlled and follows clear rules, including reporting to and approval of the Board of Directors in the case of relatives of senior

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members of staff. No family members will be employed in positions involving direct or indirect subordination or where the family relationship could arouse suspicion of a conflict of interests. Exceptional cases will be reported to the VP HR & Organization, and handled according to the rules applying on this matter.

### **5.3. Expectations of managers and staff**

- a. Rafael expects its managers and staff to assume responsibility, to maintain high standards of ethical conduct, to act with honesty and fairness, to wear suitable clothing and to remember that Rafael's good name and its public image are linked to how it conducts its business.
- b. Managers and employees have a duty of loyalty to Rafael, to act in good faith, for the good of the company and its reputation, and to represent it in a seemly way. Managers and employees must avoid actions that are influenced by or appear to be influenced by factors that conflict with the good of Rafael.
- c. Managers and employees must obey laws and regulations applying to Rafael and set an example of personal conduct befitting the company's status.
- d. The basic responsibility of every manager/ employee is to use their best professional and business judgment in their decisions, for the benefit of the company.
- e. Powers may be delegated in a correct, responsible, logical and suitable way, taking account of the subject and extent of such powers, and with regular supervision.
- f. Managers/ employees may represent and/or act on behalf of Rafael only on matters for which they have been authorized and/or asked to do so by their superiors.

### **5.4. Individual privacy**

- a. Rafael will be meticulous about protecting the privacy of its employees and of anyone who has work and business contacts with it. Rafael will not permit the exposure of data affecting personal privacy, relating to the health, economic status, pay and employment conditions, opinions, beliefs etc. of any employee or other person without his consent, unless required by law.
- b. Among other things, the procedures stipulate the duty of registering databases owned by Rafael pursuant to the privacy protection laws, databases that contain sensitive information relating to personal privacy. As the owner of such databases, Rafael manages them as required by law.
- c. Rafael is careful to ensure that employees whose work exposes them to information affecting the personal privacy of other employees do not convey and/or reveal such information to any unauthorized person, and do not use such information for any other purpose except for their work by virtue of their position

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in the organization.

### **5.5. Reports and presentations**

- a. Rafael will be meticulous about reliable and accurate reports according to the rules and principles of the ethical code.
- b. There must be no false or misleading representations in either internal or external financial reports, and it is absolutely forbidden to report any information with the intention of misleading.
- c. Rafael employees may express their professional opinions on matters entrusted to them without bias or prejudice. Employees have the right to criticize Rafael and its products at internal professional and management forums. Employees who wish to express such criticisms outside Rafael must notify the authorized members of management in advance and act according to their instructions.

### **5.6. Financial data**

- a. Rafael will be meticulous about keeping accounting records of transactions with suppliers, customers and any other external element, fully and accurately in its books, with due discovery and in accordance with accounting criteria and principles and the applicable instructions from the authorities.
- b. Rafael will cooperate fully with all checks and audits lawfully carried out by clients and the authorities.

### **5.7. Political activity**

- a. 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.
- b. 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.

### **5.8. Environmental quality**

- a. Rafael has assumed a commitment to set up and maintain an environmental management system, which is very important for the company itself, its customers and the community.
- b. Rafael will act in accordance with international and local laws and regulations with regard to the products and services it supplies to its customers, in all its activities, including the stages of developing and manufacturing its products.
- c. Rafael will act to prevent environmental damage and strive for continual improvements in its environmental performance, including recognizing natural resources as a public resource.

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### **5.9. Social responsibility**

- a. Rafael employees also contribute within the Rafael framework to suitable aims and volunteer their skills and abilities for the benefit of the community, including: promotion of scientific and technological education among children and youths, developing technical aids for adults and children with disabilities, assisting the institutions that care for them, assisting and supporting weak population groups.
- b. Rafael attaches great importance to communication with the community and activity for the community, and encourages and recruits its employees to volunteer for such activity. Rafael employees voluntarily donate their free time for communities close to Rafael and to their places of residence.

### **5.10. Sponsorships**

As a government corporation, Rafael is not permitted to give contributions or sponsorships that involve any payment by the company.