

IMI Systems

Code of Business Conduct

Principles of the code of business conduct

1. The Importance of Ethics

At IMI, we believe that our company's business conduct should be carried out with integrity and transparency, conducted in line with required business ethics, in good faith and mutual respect. The implementation of these values will lead the company to fulfill its vision of achieving commercial success, with business momentum tied in with the preservation of the company's reputation. Complying with the norms required by the Code of Business Conduct by members of the company's Board of Directors, executives and other employees, will contribute to an effective and improved work environment, and business success. The company's management and the labor representatives, as well as each and every individual employee, are jointly expected abide by the requirements contained in the Code of Business Conduct.

2. The Code of Business Conduct as a Framework for Rules of Business Behavior

The Code of Business Conduct is intended to express, and strengthen, the company's commitment to proper, ethical conduct. The Code serves as a framework for the company's policy regarding expected behavior, as is also contained in the relevant collective labor agreements applicable to IMI, the company's regulations and Disciplinary Code, and Human Resource Department's Directives, all as updated from time to time ("The Company's Procedures"). The Code of Business Conduct comes in addition, and as a complement, to the Company's Procedures, and to the social and business norms of conduct that are legally applicable. In any case of conflict, the legal requirements shall govern.

3. Applicability

The Code of Business Conduct is adopted by the Board of Directors of the company and applies to all executives, workers and consultants of Israel Military Industries Ltd. (IMI), and to all fully owned subsidiaries. We expect anyone who operates on behalf of IMI to act ethically and properly, in accordance with the company's Code of Business Conduct and its procedures.

Rules of conduct in the organization

4. Mutual Respect

We will treat each other with respect, honesty and with courtesy, while respecting existing diversity and differences among human beings. We will avoid any act, or omission, that may hurt others or harass them, as well as any discrimination based on religion, race, gender, sexual orientation, disability, or any other condition that expresses distinction among human beings. We will treat with respect the company's customers, suppliers, contractors, and any other outside person or entity with which IMI is in contact with, and their employees.

5. Cooperation with the Workers' Union

We maintain collective labor relationship with IMI's Labor Union, and believe in mutual cooperation in all aspects related to labor relations in IMI, including employment terms and conditions. We maintain regular and open communication with workers' representatives. The employment agreements and the company's Human Resources Department's Directives are the result of such dialog and cooperation.

6. Rules of Conduct at Work

Workplace rules of conduct and the employees' obligations are detailed in Chapter 1 of IMI's Disciplinary Code and in the Company's Procedures. We are committed to accept them and conform with their requirements.

7. Protection of Privacy

We believe in a person's right to privacy, and we will respect the confidentiality of personal data of every worker, supplier, and any other person, with respect to their, wage, marital status, health and any other information held in IMI's data systems. We will keep the information secure, and will instruct those responsible for its administration to maintain its privacy. We will act in accordance with the Israeli Privacy Protection Law and the Company's Procedures, and will make use of the databases only as stated in these Procedures.

8. Conflict of Interest

We will act in conformance to IMI's interests, and avoid any situation of conflict of interest or of giving preference to our personal interests over IMI's interest. We will refrain from an employment which may cause concern about a conflict of interest, superior-subordinate relationship or working relations for reason of family ties to another employee. All employees and officers are forbidden to accept gifts and/or a personal benefits from customers or suppliers.

9. Protecting the Company's Assets and its Good Name

We ought to remember that each and every one of us represents the company and therefore we will preserve the company's good name and reputation. We will safeguard and protect the company's assets, tangible or intangible, intellectual property, including trade secrets, patents, trademarks, copyrights, business information, know-how and relevant documentation. These assets will be used for business purposes only and not for personal use.

10. Prohibition of Political Activity

While believing in the freedom of opinion, IMI prohibits political activity during working hours. In said time we will strictly separate our work in IMI from our personal political opinions.

11. Adhering to Legal Requirements

IMI is a government company, acting in accordance with the laws of the State of Israel. We are required to adhere to all legal statutes, and the resolutions, directives and approvals from the various ministries of the Israeli Government. In case of any question or doubt related to the required standard of adherence to legal requirements.

Rules of business conduct

12. Business Conduct and Fair Treatment of Customers and Suppliers

IMI maintains close relationship with its customers and suppliers, which are based on mutual respect. We treat with sincerity and fairness our suppliers, customers, competitors, and other business contacts. The Code of Business Conduct applies to all IMI executives and other employees, and, accordingly, they are required to act fairly and ethically when acting and negotiating on IMI's behalf, always while complying with legal and contractual obligations. The company's obligations will be in accordance with the relevant Company's Procedures, approved by the company's Board of Directors. IMI is committed to fair competition, by, among other things, preventing unreasonable restrictions on free trade and respecting the laws of the countries with which it is in contact with, as well as the norms that apply to international trade regarding import and export. As a government company, IMI acts in conformance with the Israeli public sector Tenders Law and the established procedures regulating procurement in Israel and abroad, all as detailed in the Company's Procedures. IMI will ensure that its financial statements shall fully, clearly and accurately reflect its conduct and business activities in a

timely manner and in accordance with applicable accounting regulations and the provisions of the law. IMI will submit all required reports in accordance with its obligations under law, its contractual obligations, and the business standards to which it is committed.

13. Safety and Environmental Quality

We will abide by the rules regarding workplace safety and health, while strictly observing all the rules and regulations of the State of Israel, so that the company's work environment will be as safe, secure and hazard free as possible. IMI's commitment to ensure the public's, employees' and the environment's safety is expressed in the Company's Procedures. For this purpose, IMI established and operates an array of professional, qualified safety, occupational health and environmental protection management, at the company's headquarters, plants and sites, and undertakes action aimed at implementing this commitment of prevention of environmental pollution and ensuring continuous improvement environmental quality in IMI's plants. We are obliged to report, as early as possible, any accident, injury, unsafe facility or equipment, and any incident, act, threat or intimidation to the authorized supervisor or to the person responsible for the matter.

14. Quality Assurance

We will maintain a trust-based relationship with our customers and suppliers, and work to fulfill our obligations in good faith, preserving IMI's good name and reputation. IMI products are renowned to have a superior quality, and we shall maintain this reputation. Every worker will strictly adhere to the quality control, and reporting processes related to any defect regarding IMI's products.

15. Security and Protection of Business Information

The information held by the company may only be utilized for authorized business use. Since IMI operates as a defense industry, whose products are mainly for military use, information may only be used and disclosed according to its security classification category and in accordance with security classification requirements. The transfer of security sensitive information could well cause significant damage to the country's defense interests and to IMI's business activity. Therefore, during our employment at IMI and as well as after termination of our employment status, we are obligated to safeguard the information and to secure any confidential information that we gained access to during our employment, in accordance with the Company's Procedures.

16. Prevention of Bribery of Foreign Public Officials

IMI sees utmost importance in the prevention of corruption of any kind, including bribery or giving benefits to foreign public officials. Bribery, including the bribing of foreign public officials, is forbidden by law. A "Foreign Public Official" is an employee of a foreign country, and the holder of a public office in a foreign country, including employees of governmental companies and public bodies, and employees of international organizations. Giving bribes to Foreign Public Officials increases the scope of corruption internationally, especially in developing countries, is one of the obstacles to social and economic development, and is strictly forbidden according to Israeli Law as well as other laws. Therefore, there is a definite prohibition regarding all IMI employees and anyone acting on IMI's behalf, to promise, offer or give bribes or benefits to a Foreign Public Official. IMI has taken, and is taking, various measures to prevent the giving of bribes to Foreign Public Officials, including acting in accordance to the Compliance Program instituted by IMI, training of employees and the operation of a compliance department headed by a Corporate Compliance Officer.

17. Prevention of Bribery of Local Public Officials

It is, of course, also strictly forbidden under Israeli Law to give bribes or any undue benefits to local (Israeli) public officials. Giving bribes or undue benefits to local Public Officials increases the scope of corruption in Israel, deteriorates the legal, economic and business level of the

State of Israel and is a major obstacle to the country's social and economic development. A "Local Public Official" includes any government employee, soldier or officer in the armed forces and police, as well as employees of governmental companies and public bodies and any office holder appointed by law. Therefore, there is a definite prohibition regarding all IMI employees and anyone acting on IMI's behalf, to promise, offer or give bribes or benefits to any Local Public Official, and IMI has and is taking various measures to prevent any such action.

18. Prevention of Giving of Bribes to Public Officials (Foreign and Local)

As Compliance Officer of the company, IMI has appointed Mr. Danny Inbal, Corporate Security Director of the company. In case of questions or doubts in connection with the above issue, and in case of concern over behavior not in line with the prohibition to bribe or to give undue benefits, please contact the "Compliance Line" or the Compliance Officer, as follows: Compliance Line: (972) 03 - 5486888 Compliance Officer: (972) 03-5485258 Compliance E mail: comply@imi-israel.com

Complying with the code of business conduct

19. Address for Inquiries/Complaints – the "Ethic's Hotline"

The Code of Business Conduct will be published and distributed among the company's employees and customers on IMI's internet site, and its intranet. Compliance with the standards stipulated in the Code also requires reporting any conduct that is contrary to the Code or to IMI's Procedures. In any case of doubt, question or complaint, regarding ethical conduct or violation by any of the company's employees or executives, please turn to the Ethic's Hotline or to the IMI Ombudsman, in accordance with the Company's Procedures. The company's Internal Auditor, Mr. Yoram Korn, serves in this position.

The Ombudsman Address:

Administration Building, 7 th floor, room 721 email: ykorn@imi-israel.com, tel. 03-5485556

20. Handling Complaints

The Ombudsman will examine complaints, will summarize the findings and forward his recommendations to the company's President and to the Audit Committee of the Board of Directors. The Ombudsman will also forward findings in accordance with the Israeli Encouragement of Integrity in the Public Service Law.

21. Protection of Complainant and Confidentiality

We will protect employees who filed a complaint against the company or against any other employee or executive, in accordance with the Protection of Employees (Exposure of Offenses of Unethical Conduct and Improper Administration) Law. Any inquiry or complaint received by the Ombudsman or through the Ethic's Hotline will be handled in confidence, while protecting the confidentiality of the complainant's identity. IMI will protect any complainant who makes a complaint in good faith, even if it turns out to be unjustified.

22. Prevention of sexual harassment

We will take all possible measures to prevent sexual harassment or pestering within the framework of labor relations and will efficiently treat any case of sexual harassment or pestering that will be brought to our attention or that a complaint was submitted for and will do our utmost to repair the harm that was suffered by the complainant. For this purpose, we issued regulations in which we detailed the manner in which to submit complaints and the way they are handled and we also conduct instructive activities.

The Responsible Person for the Supervisor of Prevention Sexual Harassment Ms. Dorit Shachar Krous, the Director for Terms of Employment and Labor Relations, is the Responsible Person for the Supervisor of Prevention of Sexual Harassment within the corporation. Address: Headquarters Building, 3rd floor, room 326 shachard@imi-israel.com Tel: 03-548 5322

23. Violating the Code

Violation of one or more of the norms established in the Code of Business Conduct, the Company's Procedures or the norms required under the law, will be considered a disciplinary offense according to the company's Disciplinary Code. The Disciplinary Code determines the parties in the company who are authorized to open a disciplinary procedure and the authorities they are granted, the list of members in the Disciplinary Committee and their duties and the sanctions the committee has the power to impose when a disciplinary violation was committed.

24. Ethics Training

In order to implement the ethical rules, we will conduct instructive activities among IMI employees, both orally and in writing. Employees, officers and consultants will confirm they have read the Code of Ethics and that they will act to maintain the conduct rules accordingly.
