



**Policy on
Compliance with
Israeli Anti-Corruption Laws, the OECD Anti-Bribery
Convention, and the International Anti-Corruption Laws
("Anti-Corruption
Policy")**

**Policy on Compliance with
Israeli Anti-Corruption Laws, the OECD Anti-Bribery Convention, and
the International Anti-Corruption Laws
("Anti-Corruption Policy")**

Table of Contents

Contents

1. Introduction	3
2. Statement of Policy	3
3. Corporate Ownership of Policy	4
4. The Anti-Corruption Laws	4
A. Israeli Anti-Corruption Laws	4
B. The OECD Anti-Bribery Convention	7
C. The Anti-Corruption Laws of Other Countries	7
5. Compliance with the Anti-Corruption Laws & Company Policy	8
A. Compliance by Employees	8
i. Training	8
ii. Monitoring	8
iii. Reporting	8
iv. Records of Compliance Efforts	8
B. Donations, Hospitality, Travel and Gifts for Foreign Government Officials	9
i. Introduction	9
ii. Donations	9
iii. Hospitality	9
iv. Travel Expenses	10
v. Gifts	10
6. Common Forms of Corruption	11
i. Kickbacks:	11
ii. Facilitation Payments:	11
iii. Appendix A – Examples of Red Flags	12
7. Deviations from this Policy	13
8. Violations of this Policy	13

Policy on Compliance with Israeli Anti-Corruption Laws, the OECD Anti-Bribery Convention, and the International Anti-Corruption Laws

1. Introduction

ElsMed, as well as its respective affiliates and related entities (collectively, “**ElsMed**” and/or the “**Company**”), believe in conducting business ethically, honestly and with integrity. It has been and continues to be, the policy of the Company to conduct its operations and activities in compliance with Israeli anti-corruption laws and the OECD Anti-Bribery Convention, as well as the applicable anti-corruption laws of other countries.

The Company is committed to conducting business ethically and honestly. Officers, employees, agents and other third-party that act on behalf of the Company are expected to help ensure that this Company Policy on Compliance with Israeli Anti-Corruption Laws, the OECD Anti-Bribery Convention, and the International Anti-Corruption Laws (the “**Policy**”) is being followed. The consequences of failing to comply with this Policy and applicable laws are potentially severe for the Company and its employees. Violation of Israeli anti-corruption laws, the OECD Anti-Bribery Convention and other applicable anticorruption laws can result in substantial fines against the Company, and can subject employees and the Company to prosecution, criminal fines, and imprisonment. In addition, employees violating Company Policy are subject to disciplinary action, including possible termination of employment.

This document is to be read with the Code of Conduct.

2. Statement of Policy

Company officers, employees, agents and other third-party that act on behalf of the Company are prohibited from directly or indirectly giving, promising, offering or authorizing any third party to offer money or anything of value to a foreign government official, political party or political party official or candidate for political office to influence the official or obtain a benefit of any kind.

Furthermore, every officer, employee, agent and other third-party that act on behalf of the Company is obligated by this and other Company policies, to keep books, records and accounts that accurately and fairly reflect all transactions and dispositions of Company assets.

Officers, employees, or agents having reason to believe that a violation of Company policy may have occurred are required to report the activity to the Company's COO immediately. The Company will ensure that no retributive action is taken against anyone making such a report Reports may be submitted anonymously. Information regarding how to submit a report is provided in section 5 below.

3. Corporate Ownership of Policy

The Company's commitment to compliance, conducting business ethically and in full compliance with laws starts at the top of the Company and permeates the entire corporate family. The Company's compliance with Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention and other related laws is overseen by the executive management as defined in the compliance program.

Within a year of the effective date of this Policy and on an annual basis thereafter, the Policy shall be reviewed and revised by the COO, if necessary, and approved by the executive management.

4. The Anti-Corruption Laws

A. Israeli Anti-Corruption Laws

i. Anti-Bribery Provisions

The Israeli Penal Law prohibits corrupt payments, offers or promises of money, valuable consideration, a service or any other benefit, to influence any act or decision (including a decision not to act) of a foreign government official to induce the official to use his or her influence to affect a government act (or failure to act) or decision, in order to obtain, to assure or to promote business activity or other advantage in relation to business activity¹.

¹ Article 291A of the Penal Law 1977 makes it an offence to bribe a foreign public official:

291A. Bribing a Foreign Public Official

A person who gives a bribe to a foreign public official for an act in relation with his functions, in order to obtain, to assure or to promote business activity or other advantage in relation to business activity, shall be treated in the same manner as a person who commits an offence under Article 291.

No indictment shall be issued in respect of an offence under this article unless given written consent from the Attorney General.

For the purpose of this article: "foreign country" includes, but not limited to, any governmental unit in the foreign country, including national, district or local unit. "foreign public official" includes any of these:

(1) An employee of a foreign country and any person holding a public office or exercising a public function on behalf of a foreign country; including in the legislative, executive or judiciary branch of the foreign country, whether by appointment, by election or by agreement; (2) A person holding a public office or exercising a public function on behalf of a public body constituted by an enactment of a foreign country, or of a body over which the foreign country, directly or indirectly, control; (3) An employee of a public international organization, and any person holding a public office or exercising a public function for a public international organization;

"public international organization" means an organization formed by two or more countries, or by organizations formed by two or more countries.

As noted above, the Israeli Penal Law applies to more than just payments and offers and promises of payments. Moreover, section 294(b) of the Penal Law prohibits an offer or promise regardless of the reaction of the foreign public official, or of his or her knowledge of the offer or promise. Therefore, an offer or promise would (in itself) be sufficient to complete the offence of bribery.

The Israeli Penal Law also prohibits offering, promising, or giving “money, valuable consideration, a service or any other benefit” to foreign government officials. The term “any other benefit” has been broadly interpreted in Israeli case law as including non-pecuniary advantages such as sexual favors, or appointments to a public position. In addition, Israel has chosen not to introduce an exception of small facilitation payments.

Israeli Penal Law clarifies that an offence of bribery is committed where a bribe is given “personally by the person who gives it or through another person”. It further provides that a person who gives money to an intermediary shall be treated as a person giving a bribe. Israeli authorities advise that the offence of bribery through an intermediary does not depend upon the state of mind or knowledge of the intermediary. Thus, for example, the foreign bribery offence would be complete where a bribe is given through an intermediary even if the intermediary does not know that the money (or other advantage) is a bribe but simply transfers it to the foreign public official.

ii. Books and Record-Keeping

It is crucial that we always maintain ethical and honest accounting practices. This includes all aspects of our financial activities: how we spend, transact, report, document and comply with global financial requirements. All books, records, and accounts of ElsMed regardless of location, must be maintained in accordance with all applicable accounting rules and regulations. All transactions affecting assets, liabilities, shareholders’ equity, revenues, and expenses must be recorded on a timely basis in detailed journals and must be traceable through the general ledger and resulting financial statements. The Company does not condone practices that might lead to fraudulent financial reporting, including any intentional or reckless conduct, whether by act or omission, that results in materially misleading financial statements. ElsMed will not tolerate the falsification of information to it or on its behalf in the furtherance of Company business.

The Company will keep records relating to the compliance and audit of this Policy for a minimum of seven (7) years or if they are required and, in the manner, required to meet legal and regulatory requirements.

Each department identified below will ensure that the records it maintains are associated with a record series under the Company’s Records Retention Schedule to comply with the foregoing Records relating to this Policy are owned as follows:

- (i) the Company's COO or his delegate is responsible for maintaining records of employee training, employee certification, etc.
- (ii) the Company's COO or his delegate is responsible for (a) maintaining records regarding due diligence for investigations of potential violation of this Policy, (b) approvals for hospitality, travel for foreign government officials, and (c) charitable donations and political contributions, if any.
- (iii) the Company’s CFO is responsible for maintaining records relating to record-keeping.

iii. Penalties for Violations

Foreign bribery is an indictable felony offence under the Israeli Penal Law (one that is punishable by more than three years' imprisonment). The Penal Law provides for a convicted person to be treated in the same manner as a person who commits a domestic offence of active bribery (i.e., offering or providing a bribe). In turn, a person convicted of committing active bribery is liable to half the penalty specified for passive bribery (i.e., receiving a bribe), namely a maximum of three and a half (3.5) years imprisonment, or imprisonment and a fine (in some cases it is also possible to impose a fine without also imposing a term of imprisonment).

Since the foreign bribery offence is punishable by more than three years' imprisonment, a sentencing court may impose a substantial fine. Financial sanctions are the same for legal entities as they are for natural person.

In the case of intermediaries, the construction of the offence for the liability of intermediaries means that an intermediary would be subject to a higher penalty than the person from whom the bribe has originated, since the intermediary would be deemed as having taken a bribe (liable to 7 years imprisonment, and a substantial fine). It should be noted that the Penal Law supplements these sanctions by allowing a fine of up to four times the benefit obtained by the offence, even if that amount exceeds the maximum fine prescribed for the offence.

In addition, violations of the Israeli Penal Law and the anti-corruption laws of other applicable countries are also violations of the Company's policy. Employees who violate this Policy will be subject to disciplinary action up to and including termination of employment.

Failure to comply with book-keeping and accounting requirements, as set forth in the Income Tax Ordinance, 1961 and the Tax Directives (management and accounting books), 1973, can have one or more of the following consequences:

- The Ordinance can render a person liable for a criminal offence where there is a failure to keep documents in accordance with the provisions of the Directives, punishable by up to one year's imprisonment and/or a substantial fine.
- In the case of ElsMed, failure to submit complete financial statements, where the CFO knew or should have known of such failure and did not take proper precautions to prevent it, may lead to the removal of the CFO from office.

Sanctions for violation by auditing accountants of their obligations are mainly disciplinary, and subject to investigation and sanctioning by the Accountants Council. Sanctions include a warning; reprimand; suspension of license; or revocation of license.

B. The OECD Anti-Bribery Convention

In 1997, the Organization for Economic Cooperation and Development (“**OECD**”) adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (“**OECD Anti-Bribery Convention**”). The OECD Anti-Bribery Convention requires signatory countries to adopt national legislation criminalizing bribery of foreign public officials in international business transactions. The OECD Convention also requires signatory countries to assert jurisdiction as broadly as possible in cases involving bribery of foreign public officials. Signatory countries also must hold corporations (not just individuals) liable for foreign bribery. Furthermore, countries must cooperate with one another in the prosecution of international bribery cases and cannot invoke “bank secrecy” laws to deny mutual legal assistance.

For more information on the OECD Convention, see <http://www.oecd.org/>.

C. The Anti-Corruption Laws of Other Countries

The U.S. Foreign Corrupt Practices Act (“FCPA”) prohibits corrupt payments, offers or promises of money or anything else of value to influence any act or decision (including a decision not to act) of a foreign government official to induce the official to use his or her influence to affect a government act (or failure to act) or decision to which benefits a company, including but not limited to obtaining or retaining business or directing business to anyone or to securing an improper advantage. Criminal penalties may be imposed for violation of the anti-bribery provisions of the FCPA, including fines, per violation.

Many other countries have public anti-bribery laws similar to the FCPA. Over one hundred sixty (160) countries have signed the OECD, Organization of American States (“OAS”), and/or United Nations (“UN”) conventions on Anti-Corruption as of the time this Policy was issued. These conventions require countries to implement domestic anti-corruption legislation. The Company is subject to Anti-Bribery laws of the countries in which it operates, including those countries where its facilities or offices are located and/or incorporated.

5. Compliance with the Anti-Corruption Laws & Company Policy

The following procedures must be in place at all the Company's operations and offices and are mandatory for all employees and officers.

A. Compliance by Employees

i. Training

On an annual basis, training should include Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention, other applicable Anti-Corruption laws, and relevant Company policies and procedures. All employees will be required to sign annually, in which they certify their understanding of, and agreement to comply with, this Policy, Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention and applicable Anti-Corruption laws of other countries.

ii. Monitoring

The global controller performs internal monitoring and review mechanisms as part of the compliance program.

iii. Reporting

Company policy requires that any employee having knowledge of any suspected or known violation of this Policy, Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention or the relevant applicable Anti-Corruption laws of other countries report the matter to the Company. The employee should report to the Company's COO. Reports can be submitted by email Nadav@elsmed.com.

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

The Company will respond appropriately to issues raised through the reporting mechanism, as well as to any weakness in the Company's Compliance Program. This response may include disciplinary action, up to and including termination of employment for anyone: (a) who violates this Policy or related compliance procedures, Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention, or other applicable laws, (b) who fails to detect or report such violations, (c) who retaliates against others who report such violations, or (d) who fails to enforce this Policy.

iv. Records of Compliance Efforts

The Company must keep records of training provided (including a list of required and actual attendees, date(s) of training, and copies of materials presented), employee certifications, and issues reviewed, including the resolution of each issue and any disciplinary action taken. Disciplinary actions taken, in whole or in part, as a result of non-compliance with the requirements of this Policy, Israeli Anti-Corruption laws, the OECD Anti-Bribery Convention and the relevant applicable Anti-Corruption laws of other countries must be reported promptly to the COO.

B. Donations, Hospitality, Travel and Gifts for Foreign Government Officials

i. Introduction

The Company has a strict policy regarding giving anything of value to a foreign government official which, if done, must be as provided in this Policy and as specified in ElsMed's business courtesies policy as stated in ElsMed's Ethical Code.

ii. Donations

It is never permissible to provide a donation to improperly influence a government official, or in exchange for any improper favor or benefit. It may, however, be permissible to make donations directly to a government agency (rather than to an individual government official) as part of a charitable effort. Prior approval by the President and/or VP and/or COO of the company is required before making such a donation.

iii. Hospitality

All hospitality, including meals and entertainment, provided for a foreign government official must be reasonable and customary, and provided in the normal course of business, as stated in ElsMed's Ethical Code attached herewith. In addition, such hospitality expenses must be permissible under the applicable local laws and regulations. Lavish meals or inappropriate entertainment should always be avoided. The Company, or any employee acting on behalf of the Company, should make payment for such expenses directly to the restaurant, hotel, or other service provider.

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

- request or demand by government official to go to restaurant or other establishment owned or managed by his or her relatives and/or friends.
- request or demand by government official to go to restaurant or other establishment located in a far away or unusual location; and
- food and/or drink prices are disproportionately high when compared to such prices at similar establishments.

iv. Travel Expenses

All travel expenses provided for a foreign government official, including the costs of transportation, lodging, meals, and entertainment in connection with business travel, must be reasonable and customary, based on a specific business need and provided in the normal course of business. In addition, all such travel expenses must be permissible under the applicable local laws and regulations and must be limited to what is necessary to meet the business need. Acceptable business needs include, for instance, plant visits and inspections or negotiating contracts with the government. Lavish meals or inappropriate entertainment are never proper.

The Company, or any employee acting on behalf of the Company, should pay such expenses directly to the airline, hotel, recognized travel agent or any other provider of the service wherever possible and should inform foreign government officials of this practice in advance.

If it is necessary to reimburse legitimate travel expenses incurred by a foreign government official, the Company must inquire into the permissibility of such reimbursement under applicable laws as well as governing regulations of the foreign government official's agency or other governmental employer. Further, the Company must obtain receipts sufficient to document the expenses consistent with the Company's policies regarding reimbursement of employee expenses. The Company does not allow for the payment of per diems to foreign government officials.

v. Gifts

ElsMed employees, officers, agents, 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 ElsMed's business refer to ElsMed Ethical Code.

In many cultures, gifts and invitations to entertainment events are important for developing and deepening business relationships. However, some gifts and invitations may unreasonably influence the recipient's decision-making or create the appearance of improper influence. Gifts, hospitality and other benefits must always be in accordance with applicable laws and regulations.

6. Common Forms of Corruption

While the Corporation does not tolerate any form of corruption, this document focuses on expressly prohibited practices under international Anti-Corruption legislation: bribery, kickbacks, and facilitation payments.

i. Kickbacks:

Kickbacks are a scheme that arises when suppliers or service providers pay part of their fees to the individuals who give them the contract or some other business advantage. Paying kickbacks to win a bid may be one of the most common forms of bribery. The classic kickback scheme typically involves a competitive public bid and an agent with ties to a government official overseeing the bidding process. The agent, who may also provide otherwise legitimate consulting or advocacy services, offers to represent one of the competitors for the project for a fixed or variable fee. However, the agent has either prearranged to pay the government official a portion of such fees on the side in return for awarding of the contract or has negotiated this during the bidding process. The winning bidder may or may not know of this arrangement. As a mechanism to engage in bribery, kickbacks are expressly prohibited by Anti-Corruption legislation. Similarly, kickbacks are also subject to Anti-Fraud and other related legislation, as payments and invoicing invariably involve financial misstatements and misrepresentations.

ii. Facilitation Payments:

The Company's prohibition on bribery applies to all improper payments regardless of size or purpose, including "facilitating" (or expediting) payments. Facilitating payments refer to small payments to government officials to expedite or facilitate non-discretionary actions or services, such as obtaining an ordinary license or business permit, processing government papers such as visas, customs clearance, providing telephone, power, or water service, or loading or unloading of cargo.

iii. Appendix A – Examples of Red Flags

Particular attention should be paid to red flags in a country or industry with a reputation for bribery or corruption. The following is a list of some of the red flags that can arise in transactions involving Business Partners:

- transaction involves a foreign government official with a reputation for corruption or who requests a payment or gift.
- request by the customer or Business Partner for an unusual transaction structure, inclusion of incorrect or unnecessary cost items or false documentation.
- other than as strictly provided for in the controlling contract, a request by the Business Partner for payment “up-front” or before completion of a project, or for an increase in compensation during the life of a project (other than an increase commensurate with an increase in services).
- unnecessary third parties or multiple Business Partners performing similar functions.
- demand or strong suggestion by a government agency or official that the Company retain a particular Business Partner.
- Requests that payments be made in a country that is not the country where the Business Partner resides or where the Business Partner provides services.
- requests for payment in cash.
- requests for unusually large payments, or payments that appear excessive relative to the service to be rendered, such as with respect to agents, payments that exceed the guidelines for acceptable commissions set by the Board of Directors' Commissions Committee.
- requests for reimbursement of poorly documented expenses.
- incomplete or inaccurate information in required disclosures made by the Business Partner or requests by the Business Partner for false invoices or other documentation.
- refusal to certify compliance with this Policy or agree to comply with applicable laws, including anti-bribery laws.
- refusal to provide information requested during a due diligence review process.
- the laws of the country prohibit the use of a Business Partner or restrict the form or amount of compensation.
- the Business Partner is owned by or employs a foreign government official; one or more principals of the Business Partner are related to a government official.
- the transaction with respect to which the Company has engaged the Business Partner is with a country that is deemed problematic regarding corruption issues, as shown by international standards such as those published by Transparency International.
- Business Partner does not appear capable of performing the intended services or there has been a pattern of misrepresentation or inconsistency; or Business Partner has a record or reputation for significant contributions to political parties or candidates for office

The above list of red flags is not exhaustive. Other circumstances can arise that create a concern that corrupt activity may occur.

7. Deviations from this Policy

The COO may consider deviations from this Policy in limited circumstances and can seek advice from outside counsel, if needed, in assessing the legality of the proposed deviation under all applicable law. The COO will document the rationale and scope of any approved deviations in writing and submit the documentation to the President of the company for final approval.

8. Violations of this Policy

Any employee who violates this Policy will be subject to disciplinary action, up to and including termination of employment.

This Policy is effective as of the date set forth above and supersedes all prior policies with respect to the subject matter of this Policy.