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**ELBIT SYSTEMS LTD.
COMPANY-WIDE BUSINESS ENTERTAINMENT
AND GIFTS POLICY**

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1. Introduction

Conducting our business ethically and with integrity is a core value of Elbit Systems Ltd. and our subsidiaries. As a global company whose shares are publicly traded, our policy is to follow best practice compliance standards and laws applicable to the broad range of our global activities. Offering or providing business entertainment, hospitality, courtesies and gifts (collectively “**Entertainment**”) is often an appropriate way to build business relationships as a gesture of appreciation, courtesy, goodwill and respect. However, under certain circumstances, offering or providing Entertainment may be perceived as bribery, corruption, a conflict of interest or an attempt to otherwise obtain an improper business advantage or improper influence, any of which may seriously damage our reputation and potentially result in criminal or civil liability for our companies or our employees. This *Business Entertainment and Gifts Policy* (the “**Policy**”) is intended to facilitate that any Entertainment we provide, whether to public officials or to private parties, meets appropriate standards and that receipt of Entertainment by our employees, directors and representatives is subject to corresponding standards.

2. Application

This Policy governs the giving or accepting of Entertainment to or from third parties by the employees, directors and representatives of our companies worldwide (collectively the “**Company**”). Entities outside Israel may adapt this Policy to reflect local requirements. The Policy applies to:

- Elbit Systems Ltd. and our major business divisions in Israel;
- Our wholly-owned or controlled subsidiaries wherever located; and
- Joint ventures in which we hold a controlling interest. (Companies and partnerships in which we own a non-controlling interest will be required to adopt a business entertainment and gifts policy consistent with this Policy.)

3. Purposes

The purposes of this Policy are:

- To promote transparency and an ethical business environment; and
- To provide for accountability, honesty and integrity on the part of employees, directors and representatives in providing or receiving Entertainment during the performance of their duties.

4. General Principles and Definitions

4.1 Framework for Acceptable Entertainment

This Policy acknowledges the role of Entertainment in creating a framework and a climate of trust during business relationships. Common tokens of appreciation and reasonable and appropriate hosting activities consistent with the “4R Rules” set forth below, whether given or received, are generally allowed in the business world. Entertainment should be

interpreted broadly and take into account applicable cultural norms of, as well as regulations that may apply to, both the host and the guest. Such Entertainment must:

- be lawful and infrequent with respect to the applicable recipient;
- advance a legitimate business purpose;
- be made in a transparent way;
- not have the objective of giving or obtaining a favor or any undue advantage; and
- not create a conflict of interest.

4.2 Definition of Entertainment

Entertainment, if compliant with applicable laws, can take the form of:

- modest gifts;
- meals and/or refreshments;
- ground transportation;
- travel costs, including air travel, lodging and per diem;
- guided tours in the host's vicinity;
- invitations to or sponsorship of business events, conferences or exhibitions; or
- invitations to entertainment such as a cultural event, musical or theatrical performance, sporting event or other such activity.

4.3 Prohibited Forms of Entertainment

The following types of entertainment are prohibited:

- offering anything of value for the purpose of obtaining or retaining business to secure an improper advantage;
- requesting, accepting or agreeing to receive bribes, kickbacks or other improper payments;
- cash payments;
- Entertainment of a sexual nature or that could otherwise create an embarrassment to the Company; or
- Entertainment that could be viewed as excessive or lavish.

In general, providing Entertainment to non-business contacts (such as family members of business contacts) is not permitted, and any exceptions require specific approvals.

5. The 4R Rule (Comply with Regulations, Be Reasonable, Be Responsible, Keep Records)

5.1 Comply with Regulations

If you offer or receive Entertainment you are expected to do so in a manner that is compliant with applicable law, regulations and the internal policy of the receiving organization (e.g., company or governmental agency). In each country laws and rules specific to central or local governmental bodies can provide additional details (including monetary limits) as to what is acceptable.

5.2 **Be Reasonable**

5.2.1 **General Rule:** Entertainment offered or received by you should be limited and reasonable. Entertainment that may be viewed as extravagant or call its appropriateness into question should be avoided.

5.2.2 **Modest Value Gifts:** For both individuals and organizations, a “give away” may be provided if it is a marketing item of modest value with the logo of the offering company or organization. The offer of other business courtesies or gifts of a value exceeding a modest value (typically exceeding US\$50) may only be offered in special circumstances, subject to receipt of applicable approvals as described in the Entertainment Approval Annex attached hereto (“**Approval Annex**”).

5.2.3 **Reasonableness Factors:** Generally speaking, in order to assess whether Entertainment is reasonable or not the following factors should be taken into account:

- **Levels and frequency:** The Company should be sensitive to (i) the unit value of the Entertainment, (ii) the frequency of such items or invitations by the business unit and the individual offering the Entertainment and (iii) the cumulative value per year for each applicable recipient.
- **Context for offering:** Special attention should be given to Entertainment offered during negotiation processes, when pursuing a tender or when a business or operational decision is being taken with the intended recipient of the Entertainment, assuming it is not prohibited by the recipient’s rules and regulations. Such Entertainment must be provided in a manner that promotes transparency and accountability.
- **Status of the recipient:**
 - **Government officials:** Although this Policy applies to both government officials and commercial industry personnel, generally offering Entertainment to government officials requires more rigorous scrutiny.
 - Not all countries distinguish between governmental and commercial bribery, but many do and have more stringent requirements regarding Entertainment of government officials. This includes, but is not limited to, U.S. government regulations regarding Entertainment provided to U.S. government employees and officials.
 - **Recipient’s functions:** The reasonableness of the business courtesy or hospitality must be reviewed in light of the recipient’s status and function within the applicable organization. Employees in functions related to acquisitions, purchasing, commercial relations, supplier management, etc. may be subject to a higher degree of attention due to their ability to influence the allocation of business or present the

appearance of a conflict of interest, and accordingly tighter scrutiny of Entertainment is warranted.

- *Family members of business contacts*: Entertainment provided to the immediate family members of representatives of business contacts of the Company must also be reviewed for compliance with this Policy.
- *Family members of employees*: Family members and relatives of Company employees, directors and representatives may also be subject to a higher degree of risk when they are a recipient of Entertainment.

5.2.4 *Transparency*: To create transparency and avoid any appearance of undue influence through the offer or receipt of Entertainment to business contacts, you must complete all necessary documentation (see Section 5.4 below and the Approval Annex) of the specific Entertainment that will be provided (such as meals, accommodation and travel, if applicable). Where feasible, the recipient will be advised of the intended Entertainment in advance to permit review of offers of Entertainment with reference to the recipient organization's standards and help achieve mutual understanding for appropriate compliant conduct.

5.2.5 *Nature of the offer or invitation*: Regardless of the type of Entertainment, the offer or invitation must advance a legitimate business purpose, *i.e.*, be appropriate to the context of the professional activity and acceptable under the policies of the recipient's organization. You are expected to carefully supervise and track the conditions under which the Entertainment is offered. Within this framework, the following are examples of generally acceptable Entertainment, if applicable legal requirements permit:

- Reasonably-priced business meals;
- Entrance fees for attendance at business events (*e.g.*, a trade show or industry conference);
- Attendance at non-lavish sports and cultural events when the offeror's representatives are also present;
- Reasonable travel and accommodation costs for product demonstrations, program reviews and the like, in limited circumstances and for business purposes; and
- Entertainment specified to be provided under contractual obligations.

You are also expected to make reasonable inquiry and due diligence with respect to accepting Entertainment from third parties.

5.3 ***Be Responsible***

When a specific or unique situation arises, you are expected to use your common sense, experience and professionalism in evaluating whether Entertainment should be offered or accepted. Receipt or provision of Entertainment is also subject to the approvals set out in the Approval Annex.

To this end, for all cases of Entertainment offered or received by you, the "newspaper" or reputation test may be helpful to apply. This test consists, for the person who offers the Entertainment, in asking that if the Entertainment in question was the subject of a publication in the local and international press could it cause difficulty or be damaging to the reputation of the offeror, the recipient or the respective organizations.

5.4 **Keep Records**

Entertainment must be offered or received transparently and recorded as such. Transactions must be documented with full transparency.

When Entertainment is offered, the name of the offering employee, the name of the recipient, the business purpose, the date the item was offered and the description of the item in question, including the approximate value, should be recorded. This information must appear in the Company's records. All necessary approvals should be part of the record. Additional documentation requirements are specified in the Approval Annex.

6 Non-Compliance

Employees and representatives who violate this Policy may be subject to disciplinary action up to and including termination of employment or engagement as the case may be. Any disciplinary decision applied by the Company in any situation will be without prejudice to any civil or criminal consequences that the violation may give rise to depending on the laws of a particular country.

7 Approvals and Documentation of Entertainment

Approval levels for offering of Entertainment - including the nature of the Entertainment, monetary thresholds and the function(s) required to provide the approval - are specified in the Approval Annex.

The Approval Annex also specifies any documentation required beyond that specified in Section 5.4 above.