

## **Code of Ethics – Avgol Industries (1953) Ltd.**

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## **Letter from the C.E.O.**

Dear employees,

Attached is Avgol's Code of Ethics. This code provides each of us with guidance and instruction as to how we should routinely conduct ourselves in relation to ethical issues that might arise during the course of our work vis-à-vis our coworkers, customers, suppliers, business partners, government authorities and competitors.

Each of us is an ambassador of Avgol, both at the workplace and elsewhere. Therefore, our diligence about appropriate, ethical, fair and transparent conduct strengthens Avgol as a company.

The way we handle daily situations can strengthen Avgol if we behave appropriately, or weaken or jeopardize the Company, if we do not.

Our primary commitments as a company are that of honesty and fairness towards employees, business partners and the entire community.

This Code of Ethics applies to every person working in the Company, including employees, senior officers and directors. We expect you to adapt your conduct and decisions to Avgol's ethical criteria that are being presented to you in this booklet.

If you have any questions, please seek advice according to the procedures defined in this document.

I would like to take this opportunity to thank you for your contribution to the success of our company. We are proud of what we have achieved. Therefore, we will adopt this Code of Ethics and conduct ourselves according to Avgol's ethical values and, through our efforts, will contribute to our continued leadership and success.

Sincerely yours,

Avgol's C.E.O.

## **1. Introduction**

Avgol was founded in 1953 and, since 1988, has been engaged in the manufacture of nonwoven fabric products at its plant in the Barkan industrial zone in Israel. Currently, the Company has four production sites: in the United States, China, Israel and Russia. Avgol employs approximately 600 employees in the four countries in which it operates as well as in other geographical regions. The Company has been operating according to its fundamental values of reliability, integrity and fairness since the day of its founding.

The Code of Ethics of a business company is a document that expresses the company's core values and prescribes values and rules of ethical and proper conduct for the company's employees at all echelons and in all positions.

Avgol's Code of Ethics provides guidance for the Company's employees about appropriate behavior towards all of our interested parties: employees, customers, suppliers, business partners, government authorities, competitors and the environment in which we work.

The Code of Ethics is designed to guide us in our daily activities, to provide us with tools for coping with ethical and moral dilemmas and to help us in our decision-making processes.

For Avgol's interested parties, the Code of Ethics epitomizes the set of values and norms that are practiced at the Company and explains how we normally behave in relation to ethical issues.

Each of us – employees, managers and directors of Avgol – is obligated to act in compliance with the Code of Ethics in relation to every one of our decisions in the Company. Anyone who manages employees also has the responsibility of setting a personal example of compliance with the principles of the Code of Ethics, as well as the obligation to instruct others to never act in any illegal or unethical manner.

The Code of Ethics applies to employees of Avgol and its subsidiaries, as well as to its business partners.

## **2. Avgol's employees**

***Avgol's employees are the Company's most important resource and the power that drives our success. We pledge to treat our employees with respect and fairness, and expect each of our employees to conform to the highest ethical standards, both inside the Company and elsewhere.***

### **2.1 Avgol's obligations to its employees**

#### **Diligence in abiding by the provisions of the law in relation to every matter**

We at Avgol are obligated to uphold the law, the regulations and the Company's procedures during all of our actions.

### **Respecting human rights and employees' rights**

Avgol pledges to safeguard and respect the basic human rights of all of its employees and strictly complies with the statutory requirements pertaining to the rights of its employees in each of the countries where it now operates and shall operate and in other localities where its employees are citizens and subject to the various legal systems.

Child Labor is strictly prohibited at the Organization. No individual below the age of 18 years shall be employed by the Avgol directly or indirectly.

Avgol respects the employees right under law to unionized, if and to the extent that this is their choice, and in accordance to labor courts' policy, and refrains from intervention in any way or limit the formation of a union.

Employees and managers must report any activity that is illegal or contrary to the values of the Company and its Code of Ethics. This also includes Avgol's obligation to safeguard the rights of contractors' employees; therefore, employees and managers are required to report any infringement of the rights of contractors' employees.

### **About health and safety in the work environment**

We provide a healthy and safe work environment to our employees, and strictly comply with all statutory provisions relevant to the safeguarding of our employees' health and safety. We are constantly striving to improve these conditions and the means to ensure them and are diligent about providing training to all employees, including to contractors' employees who are working at the Company's production sites, as required by the safety laws. Noncompliance with the safety procedures endangers human lives and constitutes a grave disciplinary offense. Every employee is obligated to report any instance of a suspected health and safety hazard, malfunction or accident. If you have any questions in this regard, please refer to the Company's safety officer at the relevant site.

### **Equal opportunities and the prevention of discrimination**

We pledge to provide and maintain a work environment that is egalitarian and free of discrimination based on gender, sexual orientation, personal status, pregnancy, parenthood, age, race, religion, nationality, ethnic origin, viewpoint, political party, military reserve duty, fertility treatments or any other basis that is not egalitarian or does not conform to the statutory requirements.

Avgol advocates equal opportunities and encourages occupational diversity and openness to and acceptance of differences among employees as strengthening and enriching factors. We pledge to recruit, employ, promote and remunerate employees based on their qualifications and their capacities to excel in their jobs, without any form of discrimination. We take action to create a culture of tolerance within our organization and treat all of our employees with respect and sensitivity. Accordingly, Avgol customarily also hires people with disabilities and employs them as full-fledged employees.

We encourage our employees to report any incidents of discrimination or unfair treatment on the part of managers, supervisors, coworkers, customers, suppliers or on the part of any other business people with whom the Company has ties.

**Appropriate and safe work environment – prevention of sexual harassment and violence**

Avgol prohibits harassment or violence of any kind, whether physical or verbal, towards employees of the Company and towards any person/entity related to the Company. Avgol also prohibits the use of drugs and alcohol while at work.

The Company denounces all acts of sexual harassment and unfair treatment, which are prohibited by law. Besides being prohibited by law, they constitute grave disciplinary offenses at Avgol.

The Company has a set of regulations for the prevention of sexual harassment, which is displayed for all employees on the Company's bulletin boards, and is available in the office of the officer in charge of preventing sexual harassment in the Company, whose functions are to provide guidance to employees in relation to these subjects and to handle the clarification of Company employees' grievances about sexual harassment or unfair treatment.

The name of the officer in charge of this matter, as shall be updated from time to time, will be announced in the regulations posted on the bulletin boards.

**Investing in our employees' professional development**

We invest in developing the professional qualifications needed for Company employees' various jobs, inter alia, through studies, professional training courses, enrichment programs and seminar days, and we strive to provide our employees with programs for long-range professional development.

**Protecting employees' privacy**

We respect our employees' privacy and will not disclose any information to any unauthorized entity that could infringe on a person's privacy. The installation of security cameras, as well as the monitoring of employees' computers, e-mail boxes and mobile phones shall be done solely with their prior knowledge (unless otherwise required pursuant to a competent authority), and whenever necessary in order to safeguard the Company's privileged interests and property and the welfare and safety of the Company's employees.

**2.2 Avgol employees' obligations to the organization and to their colleagues**

**Abiding by the provisions of the law and the Company's procedures**

We, the employees of Avgol, pledge to uphold the law, the various regulations and procedures of the Company relating to our work.

**Respect, fairness and integrity**

We are diligent about fairness and integrity in all of our actions during our work. We treat each other with respect and cooperation and accept those who are different.

### **Maintaining safety in the work environment**

We pledge to be strict about abiding by the safety instructions and the safety-management plan for the purpose of maintaining a safe work environment for all employees and regarding the proper use of the Company's facilities and the means being provided by the Company to protect our personal safety.

We pledge to report to the Company's safety officer at our workplace about equipment deficiencies, about deviations from proper work procedures and about work accidents and to take part in safeguarding our own personal health and safety and that of our coworkers at our workplace.

Examples of prohibited perilous actions:

- a failure to use personal protective gear during work in the production hall;
- working under the influence of alcohol or drugs;
- using a cell phone while operating machinery in the production hall;
- using forklifts without certification and appropriate training
- failing to use seat belts either as a driver or as a passenger during work-related travel;
- eating or drinking in the production hall, instead of in the designated areas.

If you have any questions or wish to report safety-related matters, refer to the safety manager at your workplace.

### **Preventing conflicts of interest**

During our work, we think about what is best for Avgol and about achieving its objectives, without allowing any ulterior motives to influence our decisions.

We avoid situations that might lead to a conflict of interests (whether actual or ostensibly) between our personal interests and our obligation to the Company, or that might detract from our better judgment when reaching work-related decisions.

If we encounter a conflict of interests, we will conduct ourselves according to the principles of integrity and transparency, and we will report to our supervisors in a timely manner.

What type of situation is liable to cause a conflict of interests?

A conflict of interest might arise when an employee, manager or director has a personal interest that does not enable him to perform his job objectively and efficiently.

Examples of conflicts of interest:

- competing against the Company in the purchase or sale of assets, products, services, and other interests, including engaging in the Company's sphere of business;
- exploiting business opportunities that arise through exploiting our position or the Company's assets or insider information for the purpose of reaping personal gain;
- personal interest in a transaction in which the Company, a competitor, customer or supplier is involved, apart from interest deriving from our position in the Company;

- exploiting our position or our connections with the Company and its employees in order to promote private businesses;
- accepting favors, a loan or guarantee for an obligation by exploiting our position in the Company.

### **Reliability and trustworthiness**

We are reliable and trustworthy in our behavior and in our reports in every facet of our work, with our coworkers and with outside sources, with customers, business partners, the authorities and all other parties with whom we come into contact during our work.

### **Safeguarding of information and confidentiality**

We recognize the importance of Avgol's commercial secrets and safeguard them against unauthorized disclosure. We do not disclose privileged information about Avgol, its businesses and its employees and do not use insider information for the purpose of personal benefit or gain or for anyone else's benefit and we comply with the Company's procedure for insider information.

What is privileged information?

Any information that is the property of Avgol or of its business partners that is not in the public domain. Such information may include technical data, financial data, operational data, information about customers, memos or any other information concerning the Company's businesses, its operations or its future plans.

Examples of taking precautions when handling privileged information:

- Do not mention confidential information outside of the workplace or in any location where it is liable to be heard by others (such as in elevators, taxis, restaurants or at events).
- Exercise caution when using the electronic mail system. For example: before sending a "classified" e-mail, verify that the intended addressee is indeed authorized to receive such classified information and double-check that you have the precise e-mail address.
- Comply with Avgol's procedures regarding documentation and destruction of documents.

### **Bribery and corruption**

Avgol bases the management of its businesses worldwide on quality and on its integrity. We are not involved, directly nor indirectly, in any action that could be construed as giving a favor or bribe, or in any activity that involves any form of corruption, not even in countries where such activity is seemingly acceptable.

### **Use of Avgol's property**

We use Avgol's resources, including information, equipment, buildings, cars and other assets responsibly and efficiently, solely for Avgol's benefit, while exercising sound judgment and complying with Avgol's procedures and reasonable criteria. In any instance of doubt, we will ask for permission from our supervisors.

### **Giving and receiving of gifts**

We give gifts to coworkers and to our supervisors or receive gifts from them, as long as the gifts are within reasonable limits and are being given under appropriate circumstances and in compliance with Avgol's procedures, as described below on [Procedure for accepting gifts and hospitality from suppliers/costumers](#). Furthermore, we refrain from situations in which giving or accepting a gift may, even seemingly, intimate that the recipient becomes obligated in some way.

### **Attire, appearance and conduct**

We are diligent about attire, appearance and behavior that are appropriate for the professional and safety requirements of our jobs, are appropriate for our workplace and are respectful of the people with whom we are in contact during our work.

### **Fraternizing at work**

In any instance of romantic relations developing between employees at Avgol, we will report this to our supervisors.

In any instance of a romantic relationship beginning to develop between a manager and a direct or indirect subordinate, this must be immediately reported to the HR manager.

### **Political involvement**

We do not participate in political processes or events within the framework of our jobs and they do not constitute any component of our business considerations.

## **3. Customers**

***We see ourselves as being obligated to sustain the trust between our customers and ourselves, to be respectful to them in our actions and conduct, and to conduct our businesses with them responsibly and professionally, with integrity and fairness. Therefore, we make decisions relating to our relations with them solely on the basis of professional and practical considerations, we negotiate with them fairly and responsibly and we strictly comply with our agreements with them.***

### **Fair negotiations and fulfillment of undertakings**

We treat our customers fairly during our negotiations and engagement processes with them. Furthermore, we are diligent about fulfilling the undertakings we assumed within the scope of agreements to which we are a party.



### **Meticulousness about product quality and safety**

We exert substantial efforts so that the products that we supply to our customers are of the highest quality. We comply with the most stringent quality standards. We constantly implement improvement processes in relation to all aspects of product quality and standards.

### **Gifts and events**

Accepting or giving gifts, as well as invitations to business events, hosting and hospitality, are a part of our business proceedings with customers and business partners. At the same time, we must exercise prudent and calculated judgment during decision-making and refrain from allowing irrelevant considerations or bias to influence us. In any instance of doubt, we will consult with our supervisor in order to receive authorization in a timely manner. Any gifts acceptance should be made in accordance with the Procedure for accepting gifts and hospitality from suppliers/costumers, as described below.

### **Prohibition of giving favors and bribes**

Avgol is committed to managing its businesses on the basis of fairness and integrity. We will not tolerate any form of inappropriate behavior towards decision-makers, including any proffering of favors or bribes. We will never proffer, pay, solicit or accept any type of bribe – whether directly or indirectly. If we encounter an attempt to give or proffer a bribe or any favor, we will immediately report this to our supervisor.

### **Prohibition of misleading information**

We pledge to be reliable and precise with our customers and to provide them with all details about our products and services that they require, in conformity with Company policy, while safeguarding the Company's trade secrets. Any intentional misleading of customers is strictly prohibited. We will also exercise extreme care when describing a product or service that is offered by a competitor.

### **Safeguarding of information and confidentiality**

The privileged business information of any customer is its property and, in this context, we will not do anything that might diminish the trust that our customers have in us. To the same extent, we will not disclose privileged business information about Avgol to our customers, and, in all of our contacts with customers, we will constantly be cognizant of the fact that we are representing Avgol in all of our activities and are obligated under duties of trust and confidentiality.

## **4. Suppliers**

***We view our suppliers as partners in our activities and in our success. We consider this vitally important to the stability of our relationships with our strategic suppliers and are meticulous about conducting ourselves with dignity, integrity and fairness in our relations with them.***

### **Trust and dignity**

We take action to maintain our fiduciary relations with our suppliers based on integrity and honesty. We are strict about complying with the terms and conditions of our contracts with suppliers and our undertakings towards them.

### **Selecting suppliers and modes of negotiations with them**

We select suppliers, negotiate with them and conclude engagements with them while maintaining dignity, professionalism, transparency, fairness and integrity. We select our suppliers according to professional and objective criteria, such as technological capabilities, price, quality, production capacity and terms that facilitate long-term engagements.

### **Personal relations with suppliers**

There are no personal or social ties between us and Avgol's suppliers that exceed formal work relations. We must refrain from circumstances that might give rise to a conflict of interests (whether actual or ostensibly) during our interactions with the Company's suppliers.

We do not conduct personal business with suppliers and do not personally buy products or services from suppliers with whom we have direct work connections within the framework of our jobs. In exceptional instances or in any instance of uncertainty, we must report to our supervisor or to the ethics trustee.

### **Gifts and events**

We refrain from accepting gifts, invitations for recreation, a vacation or an event or anything else of value being offered by a supplier, apart from token gifts in conformity with the Company's procedures, unless at issue are invitations to conventions and events relating to the Company's sphere of business or to the invited employee's profession. In any instance of doubt, we will consult with our supervisor and conduct ourselves with complete transparency. Any gifts acceptance should be made in accordance with the Procedure for accepting gifts and hospitality from suppliers/costumers, as described below.

We participate in sales promotion and public relations events with suppliers only when our participation can promote Avgol or when we have a professional interest, all with the authorization of our supervisor; and we will not take along a companion.

#### Procedure for accepting gifts and hospitality from suppliers/costumers

- You may accept gifts of token value (up to the value of \$25), such as pens, calendars, bouquets of flowers, candy baskets and other logo items of reasonable value.
- Gifts received may not be retained for personal use, but rather, are to be shared with all members of your department or sent to a charity.

- You may participate in an event being organized by a suppliers/costumers, and you may also accept a token memento from the event, if participation in such event has some business significance to Avgol.
- Employees are prohibited from accepting prizes and/or trips abroad from suppliers/costumers as part of their work with them, unless this is for the Company's purposes and has been authorized by the Company's C.E.O. or HR manager;
- You may accept gifts from suppliers/costumers for a personal occasion (wedding, childbirth), provided that the aggregate value of the gifts does not exceed the equivalent of \$25. Any balance exceeding this sum must be handed in to the HR Department and will be donated to the community.
- You may have a meal with a supplier within the scope of work relations. If an Avgol employee pays for the meal, it must be reported, and you must ensure that it is being done in conformity with the procedures and within the budget, and subject to the presentation of a proper receipt.
- You are prohibited from accepting mobile phones or any other devices from importers /suppliers/costumers.
- Any deviation from the above requires the approval of the CEO.

#### **Safeguarding of information and confidentiality**

We will not forward information to a supplier or to any other party about any of our other suppliers and we will not make use of information furnished to us from suppliers, except for the purpose for which the information was disclosed to us and subject to the signing of a confidentiality agreement.

## **5. Competitors**

*Avgol is committed to free and fair competition and complies with all statutory requirements pertaining to fair competition. We abide by fair and proper rules of the game with and vis-à-vis our competitors.*

#### **Compliance with the requirements of the antitrust laws**

We meticulously comply with the requirements of the antitrust laws applicable to us and refrain from any situation that violates, or is perceived as violating, these laws.

#### **Refraining from slander**

We refrain from any negative remarks about our competitors, their products or their actions. We also refrain from engaging in unfair advertising.

#### **Safeguarding of intellectual property rights**

We are careful about not infringing on the intellectual property rights of our competitors.

## **6. Authorities**

*Avgol honors its relationships with the various government and judicial authorities that govern it, in every location where it operates. We are meticulous about and are obligated to comply with the statutory requirements and laws applicable to the Company in every field, and comply with the instructions of the judicial and government authorities that apply to us.*

### **Prohibition of favors and bribes**

We are obligated to maintain the required contacts with the various government authorities and to promote our business interests while complying with the provisions of law and the highest professional and ethical standards. We do not take part in any activity that involves improper means, such as the giving of favors or bribes.

### **Maintaining high managerial, record-keeping and reporting standards**

We respect our relationships with the government authorities and comply with all laws and regulations applicable to our activities. We meticulously abide by stringent and high standards of record-keeping and of precise reporting to our interested parties, including the Company's shareholders, the Israel Securities Authority and all other government authorities.

As a public company reporting to the stock exchange, we are exceedingly meticulous about complete, adequate and precise reporting of material events or developments concerning Avgol. We will comply with the Company's procedures regarding the proper use of insider information and regarding immediate reports.

## **7. The environment**

Preserving environmental quality is important to our health and to maintaining the quality of our lives.

We strive to optimally manage our environmental impacts and exert constant efforts to make wise use of natural resources (water, energy and raw materials), to minimize the impacts of our operations on the environment and to minimize the quantities of emissions and waste that we generate during production processes.

All employees are required to strictly comply with the rules and regulations addressing the preservation of environmental quality, and to require each of their subordinates, including contractors, to uphold these laws.

## **8. Implementation of the Code of Ethics at Avgol**

This Code of Ethics may be found on our website or you may receive a hard copy from the HR department. Avgol promises that the Code of Ethics will be accessible to all employees of the Company and in all relevant languages and that the values that it epitomizes shall be internalized by them.

We will continue to review the policy and our courses of action in order to ensure that the values in our Code of Ethics are indeed incorporated in our activities.

**Who is responsible for enforcing the Code of Ethics at Avgol?**

All managers and employees of Avgol are responsible for implementing the Code of Ethics in their spheres of activity. Ethical dilemmas and violations of the rules of ethics are to be referred for clarification and handling by Avgol's in-house legal counsel, who will serve as Avgol's ethics trustee, Adv. Itamar Shai. Reports received by the ethics trustee are forwarded for further examination by Avgol's internal auditor. After clarifying, examining and verifying that the reports have been satisfactorily handled, the internal auditor will submit a periodic report to the audit committee of Avgol's board of directors.

**How do I identify an ethical dilemma that requires referring to the Code of Ethics or consulting with any authority?**

- if the appropriate course of action is not obvious;
- if we are unaware of a law, procedure or regulation that tells us how to act;
- if a person or organization might be harmed as a result of the course of action you have chosen;
- if the circumstances give rise, or could give rise, to unpleasanties or be negatively construed.

**What should I do in the face of an ethical dilemma?**

In order for the Code of Ethics to be internalized as a norm, it is important that each of us feels that we can speak freely, protest and ask about any dilemma or issue that bothers us. If I am faced with an ethical dilemma, I must:

- reread the Code of Ethics;
- exercise judgment and take into account the possible courses of action;
- choose the best course of action that reflects Avgol's values;
- consult with the manager in charge or with a manager at a higher echelon;
- consult with Avgol's ethics trustee.

**How will I know that I am about to do the right thing? Clear conscience test**

- Clear conscience test – would I do this if my actions were made known to everybody?
- Is my course of action contrary to the organization's professional standards?
- Do I feel like I am doing the right thing?
- Is it legal?
- Would it adversely affect the organization?
- How would it look in the newspapers?
- Can I sleep at night?

**What should I do if I witness a violation of the principles of the Code of Ethics?**

The Company encourages all employees, managers and directors to report any suspected misconduct immediately. The Company intends to investigate every complaint of a suspected breach of Company policy.

1. In the event of a violation, report to your supervisor.



2. If at issue is a recurring violation that was left unresolved, refer to the employee hotline.

### **Employee hotline**

E-mail address – [ethics@avgol.com](mailto:ethics@avgol.com)

or anonymously using the letter box installed in the HR department at every Company site.

Important note! Letters must be submitted in good faith and include maximum details and data that enable your concerns to be examined. The hotline will clarify and investigate the reported violations while being completely discrete about the whistleblower and the contents of the complaint.

### **Referring directly to the ethics trustee**

In the event of a violation or if you want advice, you may refer directly to Avgol's ethics trustee by e-mail or telephone.

Contact details for Avgol's ethics trustee:

Adv. Itamar Shai, direct phone line: +972-54-228-0366; direct e-mail: [itamar.shai@avgol.com](mailto:itamar.shai@avgol.com)

### **Avgol's pledge to protect employees who report in good faith about violations of the rules of ethics**

Employees, who, in good faith, report to the ethics trustee about suspected violations of the Code of Ethics' rules of conduct, will be protected from retaliation or any other reprisal for whistleblowing.