

TRANSPARENCY REPORT 2019

Fahn Kanne & Co. Grant Thornton Israel (GT Israel)
For the year ended December 31, 2019

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TRANSPARENCY REPORT

Transparency Report

Our commitment to quality strengthens all that we do. This report is a public statement of Fahn Kanne & Co. Grant Thornton Israel's commitment to provide high-quality assurance, tax and advisory services to businesses and organisations operating in Israel and throughout the world.

This transparency report demonstrates our commitment to audit quality and the culture of integrity, professional excellence and accountability, and to achieve sustainable business growth in our organization.

This report is published on an annual basis in compliance with the regulatory provision for corporate governance and transparency, as set out in Article 13 of Regulation (EU) 537/2014.

About Grant Thornton

Grant Thornton are a network of independent assurance, tax and advisory firms, made up of 56,000 people in over 140 countries.

Grant Thornton International Ltd.

Grant Thornton International Ltd. (GTIL) is a private company limited by guarantee, incorporated in England and Wales. It is a non-practicing umbrella entity that does not provide services to clients. Each member firm is a separate legal entity. Services are delivered by Grant Thornton member firms around the world. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Grant Thornton is one of the world's leading organizations of independent accounting and consulting member firms which provide assurance, tax and advisory services to privately held businesses, public interest entities, and public sector entities. These firms help dynamic organizations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. Over 56,000 Grant Thornton people, across 140 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

Grant Thornton International Ltd. is incorporated in London, England, and has no share capital.

GTIL's six strategic drivers



Drive a strategic growth agenda



Build a stand-out brand



Transform the organisation's technology



Develop transformational leaders



Build a culture of innovation and collaboration



Focus on quality

International Business Centre (IBC) network

Grant Thornton's network of International Business Centres (IBCs) was established to coordinate international work and to manage and enhance international business and relationships.

Incorporated within the global network of firms, Grant Thornton has a network of 23 International Business Centres which operate as gateways to worldwide resources, providing Grant Thornton clients with concentrated, specialist services while operating as a hub for global communications, strategy and regionally focused business expertise.

IBC's are operated either by IBC Directors or International Liaison Directors, depending upon which criteria they fall¹.

Diversity and inclusion

In December 2019, Grant Thornton placed in the top 50 global employers for diversity and inclusion (D&I), according to a new index developed by Universum². More than 247,000 business and engineering/IT students rated Grant Thornton against support for gender equality, commitment to diversity & inclusion and respect for its people. Their perception of Grant Thornton, against these three categories, places the network 28th in the list, alongside some of the world's most well-known and respected global brands.

Five new member firms

In 2019, GTIL welcomed five new member firms from Guatemala, Ivory Coast, Jordan, Panama and Paraguay.

Board of Governors

The Board of Governors (the Board) is the principal and overriding authority in GTIL. The Board exercises governance over GTIL and comprises the Chair of the Board; the chief executive officer of GTIL; managing partners from the largest Grant Thornton member firms; managing partners elected or appointed from other Grant Thornton member firms that are not amongst the largest; and independent directors. The Board aims for a balance of diversity and representation from different geographical areas, including emerging markets.

¹ Criteria is determined by the following: in a G20 country, have revenues in excess of \$50m, or are a hub/gateway firm for a region

² Kiersz, Andy (5 December 2019). "Gen Z business students say these are the 50 best global companies for diversity and inclusion". Business Insider. Retrieved 10 December 2019.

Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

About Fahn Kanne & Co. Grant Thornton Israel

On behalf of Fahn Kanne & Co. Grant Thornton Israel ("GT Israel"), the Israeli member firm of Grant Thornton International Ltd., we are pleased to present our fourth annual transparency report.

This transparency report refers to the fiscal year ended December 31, 2019.

GT Israel is one of the six leading accounting firms in Israel. While the firm's size affords its ability to perform high quality services in a variety of fields, it is not too big and can therefore provide its clients with a personal and friendly touch.

The services rendered are based on an intimate and in-depth knowledge of the client's organization and business environment and on close supervision by a partner and a manager. Our ratio is 1 manager per 11 members of staff.

Our firm renders assurance services and accounting and business consulting services to public companies in Israel and abroad, private companies, governmental entities, non-profit organizations, etc.

The firm employs over 310 professional staff, including 19 partners and 8 directors who, over the years, have amassed vast experience in the fields of auditing, tax and management advisory services, in both the academic and the business worlds.

We continue to strive to make an impact and deliver our distinctive services by the following:

- building trust and integrity in the local market
- unlocking sustainable growth in dynamic organisations
- creating an environment where businesses and people flourish

Our strategy is focused on Growing Together with

- Our people
- Our clients
- Our markets and communities
- And across our organization



People



Clients



**Markets and
communities**



Organisation

Our Distinguishing Features

GT Israel is distinguished by its global vision – empowered people providing bold leadership and distinctive client service worldwide.

- **Distinctive client service:** We deliver distinctive, consistent service worldwide. Through the Grant Thornton Client Experience, clients feel that they are being served by a cohesive global organization.
- **Bold leadership:** Through bold leadership in the profession, individually and collectively, our professionals will continue to be seen as leaders by the business world and our market. The views of Grant Thornton and our professionals are in demand, valued and influence change.
- **Confidentiality:** We respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, do not disclose any such information to third parties without proper and specific authority.
- **Empowered people:** Grant Thornton personnel are empowered to accomplish their job responsibilities. Empowered people evolve from putting the right people in the right jobs — a fit that makes them able to deliver a service to our clients that is distinctly Grant Thornton.

We believe that our staff at GT Israel are dedicated to bringing together the highest level of quality and professionalism. We strive to serve our public and private companies, financial institutions, government ministries, local authorities and municipalities and charitable organizations based on an intimate and in depth knowledge we have of our client's organization and their business environments.

We strive at every level to focus on quality, ensuring that the outputs and, more importantly, the outcomes are seen by our clients and our people as being of the highest quality.

Other information

GT Israel has offices in four locations. Its headquarters' being in Tel-Aviv, with other office locations in Jerusalem, Haifa and Kibbutz HaGoshrim, which is situated in the Galilee, northern Israel.

Legal Structure, Ownership and Governance

Fahn Kanne & Co. was established in 1955 by Messrs. Morris Kanne and Moshe Chaim Fahn. Fahn Kanne & Co. joined the Grant Thornton International network in 1993.

GT Israel is a partnership organized in Israel. It is wholly owned by the partners of the firm.

Our firm has an Administrative Committee which is comprised of 3 partners, two managing partners, and one audit partner (however, due to the departure of an audit partner, the committee is currently comprised of 2 members and a process to appoint a third member has been initiated). The Administrative Committee is responsible for managing and supervising the management of the business and affairs of the firm. In addition, there are Partners' Meetings, which decides on partner admission and termination, approves changes to the partnership agreement, and appoints partners to the Administrative Committee on an annual basis.

Our firm is a member firm of Grant Thornton International Ltd ("GTIL"), a non-practicing, international umbrella entity. Services are delivered independently by the GTIL member firms. Each GTIL member firm is a separate national firm and governs itself and handles its administrative matters on a local basis. These firms are

not members of one international partnership, nor is any one firm responsible for the services or activities of any other. Each member firm adopts GTIL policies, procedures and methodologies and also maintains a system of quality control in accordance with International Standards on Quality Control (ISQC) 1, at minimum. Each member firm executes a GTIL Member Firms Agreement and Name Use Agreement, which govern the relationship between the member firm and GTIL.

International Standard on Quality Control 1 (ISQC 1)

The International Standard on Quality Control 1 (ISQC 1) sets out the minimum standards for managing quality and risk in member firms. This standard requires us to adopt quality control policies and procedures that are relevant to the operating characteristics and size of our firm in six key areas, including:

1. Engagement performance;
2. Ethics and independence;
3. Leadership;
4. Monitoring;
5. Client acceptance and continuance, and;
6. Human resources.

Although the standard relates to Assurance services, many of the principles are applicable to all service lines. As the COVID-19 crisis creates more risk for us and the other member firms, effective quality management is more important than ever.

GTIL member firms are grouped into four geographic areas: Asia, America, Europe and the Middle East. The areas comprise of a number of regions, which consist of member firms or representative member firms in 140 countries. GT Israel is considered part of Europe.

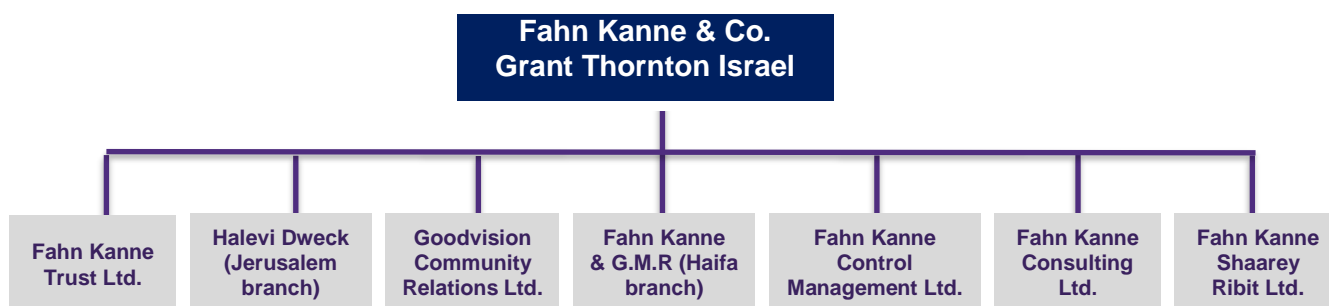
Member firms carry the Grant Thornton name, either exclusively or as part of their national practice names.

Our global scale means that we can meet the changing needs of businesses and provide them with the insight and agility to help them grow.

Legal Structure

Companies	Principal activity
Fahn Kanne & Co. (Partnership)	Assurance and Tax
Fahn Kanne Control Management Ltd. (Subsidiary)	Internal Audit and Business Risk Services
Fahn Kanne Consulting Ltd. (Subsidiary)	Consulting and Advisory
Fahn Kanne Trust Ltd. (Subsidiary)	Trust/Trustee Services
Fahn Kanne Shaarey Ribit Ltd. (Subsidiary)	Market Interest Rate Services and Valuations
Fahn Kanne & G.M.R (Partnership – Haifa branch)	Assurance and Tax
Halevi Dweck Ltd. (Subsidiary – Jerusalem branch)	Tenders and Consulting
Goodvision Community Relations Ltd. (Subsidiary)	Corporate Social Responsibility and Consulting

Organizational Structure



Brief Description of Activities

Fahn Kanne & Co. ("Parent Company")

Sixth³ largest accounting firm in Israel. The Tel-Aviv head office, the Haifa branch and Kibbutz HaGoshrim branch render professional services in the field of assurance (Israeli GAAP, IFRS and US GAAP), including: audit and accounting; not-for-profit; domestic and international taxation; VAT-related services; business accompaniment and consulting; due diligence; fundraising and capital issuances; information systems; supervision; outsourcing; achieving incentives.

Fahn Kanne Control Management Ltd.

One of the largest³ internal auditing providers in Israel. Services provided include: internal auditing; Sarbanes Oxley Act implementation; investigative accounting; computerized payroll control; information systems auditing; risk assessment and risk management. According to the recent statistics⁴, the forensic department is the currently the largest in its field in Israel.

Fahn Kanne Consulting Ltd.

Provide economic, accounting and business consulting services, including: valuations; business consulting; business consulting; litigation opinions; mergers & acquisitions; project financing; corporate betterment and rehabilitation. These services are provided locally and abroad.

Fahn Kanne Trust Ltd.

Accompaniment and supervision over the transfer and allocation of funds, trusts, and management of employee compensation plans. Trusteeship and management of employee compensation plans.

Fahn Kanne Shaarey Ribit Ltd.

Provide prices, discount rates, and premiums used in "fair value" valuation of non-negotiable debt instruments for financial entities and other clients. Also provides a vector of high quality corporate bonds interest rates for companies and their actuaries in order to determine the value of the employee benefits plans as in International Accounting Standard No. 19, *Employee Benefits* (IAS19). The company has developed a unique methodology for determining discount rates and premiums for valuating non-traded bonds.

³ According to the latest available information published by Dun & Bradstreet in Israel.

⁴ According to the latest available information published by BDi and Dun & Bradstreet in Israel

Provide economic, accounting and business consulting services, including: valuations; business consulting; business consulting; litigation opinions; mergers & acquisitions; project financing; corporate betterment and rehabilitation.

Fahn Kanne & G.M.R (Haifa branch)

Assurance and tax and related services; outsourcing. See Fahn Kanne & Co., above, for more details.

Halevi Dweck Ltd. (Jerusalem branch)

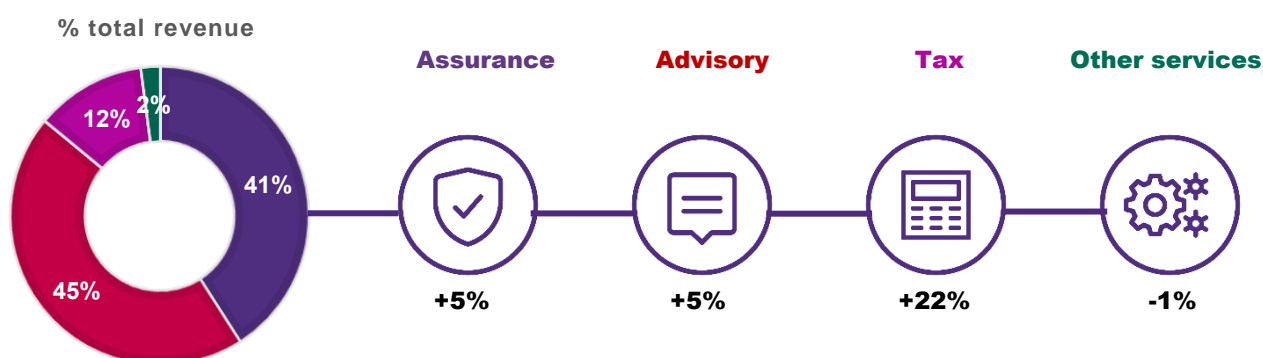
Provide comprehensive consultancy services in the Tenders field. The services include writing tender documents and providing full support and guidance throughout the tender's process.

Goodvision Community Relations Ltd.

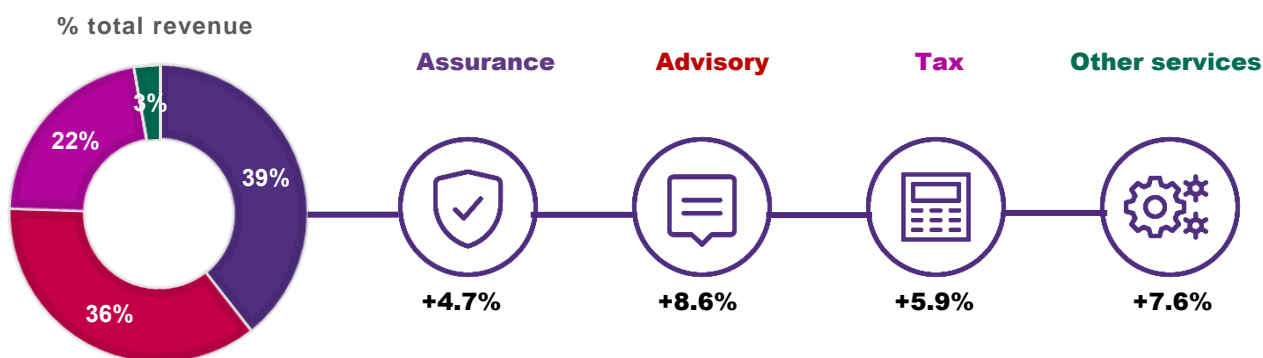
Planning and management of corporate social responsibility (CSR) processes in businesses. Perform integrated and holistic assessments regarding a range of corporate social responsibility areas and the interfaces connecting them.

Service Lines

GT Israel growth FY 2019



GTIL growth FY 2019



Heads of Service Lines

Assurance

Izhar Kanne, co-Managing Partner, Fahn Kanne & Co. Grant Thornton Israel

Internal Audit and Business Risk Services

Yossi Ginnosar, CEO, Fahn Kanne Control Management Ltd. (Subsidiary)

Consulting and Advisory

Shlomi Bartov, Partner, Fahn Kanne Consulting Ltd. (Subsidiary)

Tax

Yigal Rofhe, Tax Partner

Outsourcing

Nitzan Shalit, Senior Manager

Tenders and Consulting

Arnon Rund, CEO, Halevi Dweck Ltd. (Subsidiary – Jerusalem branch)

Corporate Social Responsibility

Ivri Verbin, CEO, Goodvision Community Relations Ltd. (Subsidiary)

Corporate Social Responsibility

Sustainability

GT Israel began its sustainability journey some years ago by expanding its activity in the field of corporate social responsibility by entering into a cooperative business and strategic arrangement with "Good Vision", Israel's leading consulting firm in the area of planning and management of corporate social responsibility processes in businesses.

The three principles of sustainability are made up of: economic, social and environment.

The staff consists of internal and external consultants, with multi-disciplinary experience, who together strive to achieve tangible and implementable results in generating added value for their clients, all the while ensuring that the services they provide meet high professional standards.

Corporate social responsibility services:

- **Ethics** – Drafting and implementing a code of ethics
- **Corporate governance** – Consulting for the board of directors and for the secretariat of the company
- **Environment** – Performance of an environmental survey pursuant to GHGG protocols and compilation of an environmental responsibility program to implement "green company" principles
- **Community** – Planning communal policy and performance of a flagship project that is accompanied by employee volunteerism
- **Stakeholder dialogue** – management of stakeholder dialogues pursuant to standard AA1000SESS
- **Reports and communication** – Drafting corporate social responsibility reports and carrying out a due diligence on internal and external communications

The UN's Sustainable Development Goals (SDGs).

10-year goal to achieve the UN's SDGs



Internal Quality Control System

Ethics

Our independence team provides advice on ethical issues and concerns and enables the firm's partners and staff to obtain advice on sensitive, high-risk or complex issues on a confidential basis.

Grant Thornton's culture is built around CLEAR values:

Value	Behaviour	Outcome
Collaboration	Think team, not self. Ask for help, give help	Better relationships. Better insights. Better results.
Leadership	Act with integrity. Encourage, inspire and motivate each other. Embrace challenges. Solve problems	A firm that people want to be a part of, client's value and communities respect.
Excellence	Deepen your understanding of the client's business and provide insight. Find the best way every time	A standard of quality and service that is recognised and sought after.
Agility	See the big picture. Embrace change. Be responsive, make it happen.	Tailored solutions delivered with speed and precision.
Respect	Listen and understand each other. Value each other's differences.	Diverse people. Honest relationships.
Responsibility	Decide, act and be accountable. Provide honest feedback. Leave things better than you found them.	We can rely on each other. Our clients can rely on us.

Member Firm Obligations (MFO)

As a member firm, we need to be able to rely on other firms in the Grant Thornton network and one of GTIL's most important roles is to facilitate this, by safeguarding the network to improve quality and build trust between the firms.

To make this possible, GTIL has issued policies and guidelines over the years to make sure firms can meet the standards that our people, clients and the profession's regulators expect from us. The Member Firm Obligations (MFO) project consolidates these policies and guidelines – that make up the obligations of Grant Thornton

network membership – and will help member firms and GTIL monitor and manage compliance with these obligations.

The focus of the MFO project is to:

- improve awareness, understanding and compliance of the requirements of network membership
- improve quality, build trust and create confidence between member firms
- raise awareness of increased regulatory activity on how networks manage risk
- enhance GTIL's monitoring and consequences management processes
- review all MFOs to ensure they are fit for purpose in relation to the ever-changing risk and regulatory landscape

Risk Management

Global risk management includes:

- developing, communicating and maintaining global policies and procedures designed to:
 - maintain independence and objectivity of professionals
 - establish minimum standards for client acceptance and client continuance activities of member firms
- developing training programmes covering the above
- developing and maintaining technology solutions to facilitate the effective and efficient execution of the procedures referenced above
- monitoring the effectiveness of the design and operation of our systems of quality control over providing high-quality services
- reporting the firm's progress in executing action plans developed in response to quality inspection programme findings.



Markets

Be the vibrant firm at the heart of growth



Clients

Seize opportunities in a connected world



People

Build an innovation culture that creates value



Operations

Make it easy and rewarding to deliver superior and sustainable results

Cybersecurity

One of the most significant risks facing the profession is the risk of a cybersecurity breach.

We maintain an ongoing global cybersecurity programme to mitigate our exposure to cybersecurity threats through an integrated legal, risk, IT and service line approach. The plan introduced minimum cybersecurity standards to which all member firms are required to adhere. We constantly review those mechanisms necessary to continuously protect our network and deliver on the commitments required by the Grant Thornton network.

The global cybersecurity risk management programme

We comply with the global cybersecurity risk management programme administered by GTIL in order to safeguard the Grant Thornton network. The following are the four broad areas of focus:

1. **Risk and Compliance Monitoring:**

Certain minimum cybersecurity standards apply to all member firms. Additionally, GTIL is charged with monitoring the network to identify risk so that firms may take appropriate action if a firm is not compliant or represents high risk. Projects designed to manage risk and increase transparency include:

- The Global Cybersecurity Compliance Review (GCCR) programme. Modelled on the GTAR audit quality review programme.
- Annual self-certification. Required by all member firms to confirm standards are being met.
- Bitsight security ratings and vulnerability information: All member firms have access to Bitsight, a third party, independent security scoring solution which provides firms real-time information about public-facing cybersecurity vulnerabilities, as well as a Cybersecurity Score.

2. **Incident Readiness and Response:**

We are prepared to respond to an incident. We have an incident response plan in place, and we are required to test it annually. Additional projects which support firm readiness for incident response include:

- Global Incident Response Portal: Member firms share information about cybersecurity incidents which impact more than one firm.
- Cybersecurity Insurance: Our firm has cyber risk coverage annexed to the professional liability policy. This includes integrated coverage for self-insured to the insured as well as third party liability.

3. **Capability development:**

We continue to build capability and expertise in this area.

4. **Product selection and procurement:**

GTIL has a list of global procurement agreements which can be used to support our firm's security product selection process. This includes not only the Microsoft Enterprise Agreement, but also Wombat (Security Awareness Training); and others.

General Data Protection Regulation (GDPR)

The new General Data Protection Regulation (“GDPR”) took effect from 25 May 2018 and applies to Grant Thornton International Ltd. (“GTIL”) and all Grant Thornton Member Firms in Europe. It also applies to Member Firms outside of Europe in certain circumstances.

In 2019, our firm signed the Inter-Firm Data Sharing Agreement (“IFA”) which sets out the conditions under which GTIL and its member firms can transfer personal data to each other. It conforms to the requirements of the EU’s General Data Protection Regulation, one of the highest standards for protection of personal data.

The IFA was developed to provide a legal framework for the transfer of personal data within our network. By having the IFA in place, member firms do not need to enter into bi-partite data processor agreements when contracting for work between each other. In signing up to the IFA, member firms are committing to comply with applicable data privacy regulations and a minimum set of safeguarding obligations for personal data.

The IFA puts in place a set of minimum commitments across the network and should therefore help all member firms give reassurance to clients about protections in place. Clients and potential clients want assurance that their personal data will be safeguarded when it is transferred within the network.

These commitments include obligations to:

- only process the personal data in accordance with the instructions of the transferring member firm
- ensure that personnel are subject to confidentiality commitments
- have in place appropriate security measures to protect the personal data (based on the minimum cyber security requirements set by GTIL)
- return or delete the personal data at the end of the arrangement. (upon request of the transferring Member Firm).

We apply appropriate technical and organisational measures, contractual commitments and other guarantees, regularly review the content and scope of implementation and monitor compliance of personnel with the GDPR regulations.

Israel are amongst the few recognised countries of the European Commission that provide adequate protection.

Anti-Money Laundering (AML)

Prohibition of Money Laundering (The Business Service Providers Requirements Regarding Identification, Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5775-2014 (hereinafter: the “Order”)

This Order was published in December 2014 and became effective in Israel from September 2015.

The law primarily prohibits any actions involving assets originating in criminal activity, designed to hide the source and the identity of owners of such assets. .

In order to combat money laundering attempts, the Order requires providers of financial services to obtain and verify identification of potential clients. Potential clients are then required to undertake a client due diligence procedure pursuant to a specific Client Identification Form.

In accordance with the requirements of the Order, it was determined that a **business service provider** (i.e. an accountant or a lawyer) that was requested by a potential customer to give a **business service** (as such term is defined under the Order, see below) is firstly required to identify the customer and to undertake a customer due diligence procedure pursuant to a specific form as included in the First Schedule of the order.

The definition of a **'business service'** as specified in the Order, includes, inter alia, purchasing and selling a business. Moreover, the language of the Order refers to the definition obligations with respect to active actions of buying, selling or management of such acquired business. Therefore, accountants (or lawyers) who are involved with advising or assisting their clients in carrying out such actions, might be subject to the scope of the order.

Given the above, commencing September, 2016 our office implements, in certain circumstances, a customer recognition procedure (in addition to any customer due diligence measures required under GTIL member firm obligations), in accordance with the provisions of the order.

Audit Methodology and Technology

Grant Thornton's current global audit methodology is called Horizon. Horizon was designed to provide audit teams with a clear and direct link between identified financial reporting risk, internal controls that address the risk and audit procedures.

After September 2020, there are no plans to make any additional updates to the Horizon methodology.

Horizon will remain to be Grant Thornton's means of complying with firm policies and professional standards, including the standards established by the International Auditing and Assurance Standards Board (IAASB) until it is phased out.

Horizon will no longer be supported for audits of financial statements for periods beginning on or after December 15, 2021 and member firms will then be required to use the LEAP methodology. See below.

The Horizon methodology is supported with an audit manual and is executed using our Voyager™ software (see below).

Voyager™

Most of the Grant Thornton member firms apply the global audit methodology using the Voyager suite: an integrated set of proprietary software tools. Using Voyager, audit teams identify financial statement risks and link them to the processes and internal controls established to address those risks. This enables audit teams to tailor an audit response that is appropriate to the assessed risks. Voyager also assists audit teams in documenting, evaluating and testing internal controls.

By December 2020, the new LEAP methodology is planned to be implemented within the Voyager suite as a substitute from the Horizon methodology.

The audit teams will have the choice of either using Horizon or LEAP methodology, up until December 2021. Thereafter, only the LEAP methodology will be required to be implemented.

Throughout the implementation process, we will continue using the Horizon and Voyager suite of tools until the full execution of the LEAP

Voyager Information System

The Voyager Information System (VIS) currently provides member firms with the ability to view information about their assurance clients contained in Voyager files; manage and monitor concurring review policies; control and monitor the archiving process for annual and interim periods; and assist with storing archived Voyager files. With the pending implementation of LEAP, a portion of the VIS tracking will be replaced by the Engagement Portal in the LEAP suites.

Leading Effective Audit Practice (LEAP)



The revised global audit methodology referred to as LEAP (Leading Effective Audit Practice), was released and delivered through a new service delivery platform developed in partnership with Microsoft. Since 2017 and up until 2020, a series of global learning programmes were implemented across each member firm to drive adoption and engagement of this change.

The LEAP audit methodology is based on the International Standards on Auditing (ISAs) and International Financial Reporting Standards (IFRS). This is a platform which drives a high-quality audit with much more efficient processes, generating better insights.

There are four stages to the LEAP methodology implementation process:

- Onboarding;
- Get ready;
- Get set;
- Go live

By mid-December 2020, GT Israel are expected to commence implementing the LEAP methodology.

Among other benefits, the revised methodology:

- provides a clear linkage to auditing standards using the International Standards on Auditing (ISA) based terms
- applies an account-based approach to address the risk of material misstatement
- allows the tailoring of audit risk and response to each client.

At the heart of all of this is the consistent delivery of quality service to our clients and the wider business community that relies on the integrity of our audit conclusions.

These initiatives tie into our long-term commitment to continuously improve our services, and allow us to respond to the challenges and opportunities posed by the strict regulatory environment in which we operate.

At the time of this Transparency Report, we are in the process of adopting the LEAP methodology into Voyager.

"Tone-at-the-Top" Culture

Firm leadership reinforces the importance of compliance with audit, independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional

values and culture of the firm. Procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

Rigorous quality standards include: leadership tone at the top, skills and competence, clear and efficient procedures and quality control.

Human Resources

Growing together with our people



Our firm employees certified public accountants (Isr.), graduates holding BAs in accounting, lawyers, legal experts, holders of MBAs and other vocations.

At GT Israel, you will find a warm and family-like work environment, in which each employee is treated with the personal touch. You will be in a constant learning environment which will help you develop your professional capabilities. We provide a structured training framework, a unique work method and tools that will assist partners and staff alike, in making long-range professional decisions.

Our firm provides professional training sessions throughout the year, in various forums and in a variety of fields. We make a serious investment in training our employees and in keeping them abreast of the latest professional developments, in conformity with our commitment to comply with high local and international standards and to render high quality service.

We continue to design the best training, ensuring that the tools and resources we provide are the best they can be. This is in compliance with the GTIL guidelines.

As part of our ongoing auditing activity and additional projects in the fields of consulting and taxation, we make trips abroad to perform work at the clients' sites. GTIL, the international network of which we are the Israeli member firm, encourages a close relationship among its member firms by seconding employees around the world.

Throughout the year, our firm provide a variety of social events which are enjoyed by all the employees. These social events are an integral part of our organizational culture.

Rotation

GT Israel complies with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA) for listed companies in Europe, as well as the U.S. Securities and Exchange Commission (SEC), where required. GT Israel supports audit partner rotation as it provides an additional and new perspective and promotes independence from company management while retaining expertise and knowledge of the business.

For audit clients that are public interest entities, key audit partners are required to rotate after seven years. In the case of SEC clients, key audit partners are required to rotate after five years. Key audit partners are not permitted to be a member of the engagement team or a key audit partner for the client for two years.

During the two year “time out” period, the individual may not:

- participate in the audit of the entity
- provide quality control for the engagement
- consult with the engagement team or the client regarding technical or industry specific issues, transactions, or events, or
- directly influence the outcome of the engagement

Quality Assurance Review

Grant Thornton Assessment & Review (GTAR)

Some important changes to the scope of the Grant Thornton Assessment & Review (GTAR) programme have taken place. The process has been expanded to include tax and advisory services.

As a GTIL member firm, GT Israel is required to undergo a periodic inspection under the Grant Thornton International Assessment & Review (GTAR) on a regular basis.

The GTAR programme is a key part of the Grant Thornton International Ltd (GTIL) global quality control framework and has been the primary mechanism for reviewing member firm quality for many years. GTARs review the design and operation of a member firm’s system of quality control and are designed to reaffirm and support the collective expectations of all member firms that other member firms are providing high-quality services that meet professional standards. Each GTIL member firm is obligated to submit to a review of its quality control system typically around once every three years.

The GTAR programme helps to reinforce the expectation that member firms have an effective process for ensuring that the right people are using the right tools to apply the methodology in the right ways.

For example, through GTAR we are assessed for the following:

- comply with professional auditing standards
- implement the global audit methodology (and in turn, the ISAs as a minimum)
- issue audit reports that are appropriate in the circumstances
- comply with international ethical and quality control policies
- comply with quality assurance standards during the audit
- produce audit documentation by professional standards
- have designed and implemented an effective system of quality control
- identify root causes for significant findings
- have implemented the requirements of previous action plans
- comply with global risk management policies and procedures.

Changes to the scope of the GTAR programme

Previously, the GTAR programme only involved evaluating engagements and firm-wide procedures that are applicable to its assurance services. In 2018, GTIL began examining the quality of tax and advisory services, in addition to assurance services. For these GTARs, the review was expanded to include:

- The member firm's compliance with GTIL's revised advisory policies covering authorisation, client acceptance and consultation.
- An evaluation of the member firm's tax and advisory policies, benchmarking them against the international organisation.
- A review of selected tax and advisory engagements work papers and files and any related reports issued interviews with tax and advisory partners and staff.

GTAR inspections evaluate policies and procedures of the member firm applicable to its assurance practice, benchmark those policies and procedures against relevant policies and procedures of the international organization, inspect financial statements and audit reports that have been issued, and involve interviews with partners and staff on various matters.

Member firms are expected to have their own systems of quality control that provide GTIL, other member firms and the member firm itself with reasonable assurance that its personnel comply with applicable professional standards and GTIL's policies and procedures. All member firms are affected by international quality and ethical expectations, and the GTAR programme enables member firms to be confident that they, and their fellow member firms, are working to match their assurance practice with the profession's evolving standards and with the quality and ethical values that clients of member firms traditionally associate with the Grant Thornton brand name. At a minimum, the firm's policies and procedures should address all matters included in the GTIL ethical and quality control policies as well as International Standards on Quality Control (ISQC) 1.

The new GTAR reports will now contain the results of the assurance, tax and advisory reviews.

This reflects GTIL's commitment to help safeguard against risks arising from our fast growing tax and advisory service lines.

Recent GTAR Inspection

The last review conducted by GTIL in Israel took place in July 2018. Their inspection did not identify any audit performance issues that, in the inspection team's view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support an audit opinion in any of the four audit engagements reviewed or to fulfill the objectives of its role in other engagements.

We expect the next review to take place sometime during 2021.

External Inspections

GT Israel's audit practice is subject to quality inspections by the Peer Review Institute (a subsidiary of the Institute of Certified Public Accountants in Israel). During the period covered by this Transparency Report, GT Israel was not subject to the inspection of the Peer Review Institute.

GT Israel is a public accounting firm registered in the US with the Public Company Accounting Oversight Board (PCAOB) and in the UK with the Financial Reporting council (FRC), and therefore is subject to inspections by these regulators.

Our registration with the Canadian Public Accountability Board (CPAB) was re-approved in April 2019 and we remain to be listed as a participating audit firms. At the time of this Transparency Report, the firm does not currently have any Canadian reporting issuer clients. We expect this is change in the near future.

GT Israel is subject to an inspection by the PCAOB at least once every three years. During the period covered by this Transparency Report (July 2019), GT Israel was subject to an inspection by the PCAOB.

The review focused on the performance of two audit engagements of US public registrants. The review also included assessing the firm's practices, policies and procedures concerning audit performance and other functional areas as follows: practices for partner evaluation, assignment of responsibilities, independence implications and practices for client acceptance and retention, business ventures, contingent fees, the firm's internal inspection programme, methodologies and work performed by foreign affiliates.

However, the final report of the inspection team was not yet published as of the release date of this transparency report.

Public Interest Audit Clients

During the period covered by this Transparency Report, January 1, 2019 – December 31, 2019, we have no UK registered client that is considered “relevant audit client”. However, we currently have one audit client trading on the AiM market, "Ethernity Networks Ltd.".

Independence Procedures and Practices

Independence Policies, Guidance and Training

GT Israel has adopted the Grant Thornton's global policies and procedures that are designed to safeguard independence and identify circumstances that could pose a conflict of interest. Our global independence policies and procedures are based on the independence standards of the International Federation of Accountants (IFAC) that are promulgated in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Code), with supplements to govern compliance with our own global independence policies and processes.

In addition, as a member firm, we are also required to follow the independence requirements of the location we operate in, and those that may be required with respect to engagements that we perform. When the rules of more than one authoritative body apply, the most restrictive rules are applied.

We strictly monitor compliance with regulatory, professional and GTIL independence requirements related to financial interest and, business and vendor relationships with clients.

We diligently monitor compliance with these policies. GT Israel has a designated Director, who is responsible, together with the independence team for implementing and overseeing independence matters, including providing training and obtaining annual confirmations of compliance with independence policies. The increase in regulations and standards and the growing volume of services provided to international clients by GT Israel continue to make compliance with independence requirements a priority.

The independence team's responsibilities include providing:

- policies, guidance and training relating to independence matters
- interpreting, applying and complying with global policy or specific auditor independence rules

- oversight, compliance monitoring and support of the automated global independence system
- an international relationship checking (IRC) process which is designed to provide reasonable assurance that services are not provided to a member firm client or its related entities without appropriate consultation with the engagement teams and other parties as warranted

Since 2017, GT Israel have been using the new automated global relationship checking tool, the Global Relationship System (GRS). The GRS provides a robust platform for identifying and assessing potential threats to independence or conflicts of interest as part of our client acceptance process.

Maintaining the independence of our firm, its audit teams and other professionals is critical to sustaining public confidence in the audit profession. We are committed to ensuring that our independence policies and procedures are robust and provide clients, other users of audit reports and the investment community with confidence that we are independent and objective.

The international network (Grant Thornton International) maintains databases of restricted entities and other relationships that could create a conflict. These are searched as part of the international relationship checking process.

International Independence Standards

We are required to comply with all applicable independence and ethics requirements that meet or exceed those set out in the IESBA Code of Ethics and those required by other applicable regulatory bodies. In order to assist us in complying with applicable independence and ethics standards, Grant Thornton has included the independence and ethics guidance from various independence standards setters and regulators.

Conflicts of Interest

Our firm's independence and objectivity in providing audit services is ensured through our business process to check that we do not enter situations with real or perceived conflicts of interest. These include our new client acceptance procedures, acceptance of non-audit assignments and entering into certain business or financial relationships with another entity.

The Global Relationship System (GRS) is a global web application that streamlines the International Relationship Check (IRC) process between Grant Thornton member firms and provides insight into client and business relationships worldwide, supporting the identification of cross border business development opportunities.

This new global relationship checking tool was rolled out to all Grant Thornton member firms during the 2017 calendar year. It facilitates the preparation, communication and workflows for international relationship check requests. It provides a robust platform and includes regular processes for assessing potential threats to independence or conflicts of interest identified during client acceptance.

Global Independence System

GTIL have in place an automated tracking system, the Global Independence System (GIS). This system automates much of the manual effort that would otherwise be required by member firms and personnel to monitor compliance.

GT Israel's partners, directors, and managers maintain an investment portfolio of all publicly traded securities held by themselves and their immediate family members including spouses, domestic partners, cohabitant or spousal equivalent, and dependents. The information recorded is limited to the identity of investments held and

dates of acquisition/disposal. No information regarding the number of shares or any monetary value is included. Strict security safeguards are built into the GIS to ensure access to this information is limited to independence compliance personnel within our member firm.

The manager of the GIS is responsible for updating, when necessary, the Global Restricted List (GRL), on which the GIS is based, making entries of listed companies and their subsidiaries (public interest companies), that constitute the “audit clients” of the firm. Thereby, these companies are presented as “Restricted” throughout the GTIL organization. The implementation of this procedure ensures that no member firms of GTIL can hold shares of any company marked as “Restricted” by another member firm.

Client Acceptance and Continuance Process

Achieving professional excellence means accepting and retaining clients that share Grant Thornton's objectives of quality and integrity. Grant Thornton's global client acceptance/reacceptance procedures integrate with our firm policies. They provide us with information to judge whether the entity meets or exceeds necessary standards of integrity and whether we have the capacity to perform a high quality audit.

Client acceptance and continuance Accepting and continuing with the right clients is fundamental for GT Israel to deliver high-quality audits. Grant Thornton has global policies and procedures in place to help member firms accept and retain clients who share the same objectives of quality and integrity. GT Israel conduct background and conflict checks to evaluate each prospective client. Member firms that want to accept certain large or high-risk clients must seek approval from a global key assurance assignment committee, which considers if such proposed assignments represent an acceptable risk to the global network.

The Key Assurance Assignment (KAA) Acceptance and Reacceptance Policy continues to be an important part of the acceptance and reacceptance process. Assignments are considered key when they have characteristics that meet specified criteria. This policy requires us to submit client engagements meeting the KAA criteria to an international review committee for consideration.

This committee is chaired by the executive director – quality control and is comprised of risk management/ quality control partners from a diverse group of selected member firms.



Continuing Professional Education of Partners and Staff Eligible for Appointment as Statutory Auditors

To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise.

Partners and staff are provided access to training materials covering: GT Israel' audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and areas of focus for improved quality.

Training

Our firm conducts face-to-face professional training programmes and e-learning resource sessions throughout the year in accounting, auditing, taxation and legislation, in various forums and also other varieties of topics. Other ethics modules delivered by the firm include core audit, tax and advisory training.

Employees doing their practical experience requirement for the Israeli CPA exam, during the fourth year of supplementary accounting studies – at least 15 hours per annum.

Employees doing their practical experience requirement for the CPA exam, after the fourth year of supplementary accounting studies – at least 25 hours per annum.

Employees after completing their practical experience requirement – at least 40 hours of training per annum and at least 120 hours over a three-year period.

Technical training is made available according to the needs of each service line.

Grant Thornton LearnConnect

In January 2019, GTIL launched Grant Thornton LearnConnect, the new online global learning platform that allows all users to share learning materials in a centralised manner across the network.

LearnConnect replaced the Global Learning Centre (GLC) and includes GTIL's learning materials, technical training (eg, ISA, IFRS, LEAP), and over 700 off-the-shelf courses on topics such as organisational strategy, personal well-being, and leadership.

All audit staff are familiar and registered with the new audit platform and carry out their training via the assigned modules.

LearnConnect includes the following learning materials:

- ISA proficiency series
- Risk management and independence
- Recent IFRS's
- Methodology proficiency series

Methodology & Learning SharePoint site includes additional learning materials such as:

- Audit 360
- Leader engagement series
- Tool proficiency series
- Methodology proficiency series

Organization-Wide Seminars

During the year, seminars are held at which the employees are exposed to new information and information that has been updated since the previous seminar, in the fields of accounting, auditing and regulatory issues – approximately 8 – 12 hours (such seminars which are conducted by the firm's technical department are held in at least two sessions). These seminars are required for all employees of the firm. An auditing employee who misses a firm training session for whatever reason has to make it up at alternative sessions in accounting, auditing or independent study, with the make-up session documented and reported to the HR department in coordination with the technical department.

Training is also carried out by using the firm's new LearnConnect platform (see above), in respect of which the technical department issues periodic updates. Any such self-study has to be done with the knowledge and approval of the partner in charge and it is recommended that the self-study be coordinated with the technical department (regarding content and number of hours).

Webinars

Webinars are conducted on a regular basis covering a range of topics. Each session is recorded and the slides used during the broadcast become available for downloading from the GTIL's intranet, GTConnect.

The subject of these sessions can range between updates of the GTIL brand, to global industries update, to risk management and independence.

These online events provide member firms with the opportunity to share and exchange information, interact with one another and have Q&A sessions.

Training for New Employees

All new employees are required to attend a new employee orientation conference which is held at the beginning of each year, usually in the form of a three-day seminar. The conference includes training sessions on the following topics:

- Review of the areas of activity of the firm
- Organizational culture, including the connection and membership with GTIL
- LEAP, online training platform
- Voyager approach
- Horizon approach
- Ethical procedures
- The firm's quality control
- Auditing and accounting standards
- Other Grant Thornton related issues, etc.

All new employees are provided with a "Guide for New Employees" manual, which includes amongst others, an introduction to the working environment of GT Israel.

Training for Employees Handling International Clients

Employees that handle international clients (public and private corporations) must undergo the following training: independence requirements and ethics requirements for the relevant countries and rules and standards that apply to public and private corporations in the countries in which the client operates. In addition, they are given International Financial Reporting Standards (IFRS) training and guidance.

Employees who handle U.S. audit clients – are required to take additional study sessions on US GAAP and related issues, as well as standards, publications and guidelines of the PCAOB and SEC. In addition, senior employees handling SEC clients have to undergo qualification-related requirements and rotation. In order to comply with the requirements regarding staffing of partners and senior employees on audit teams of clients who are subject to the SEC, all audit staff members of SEC clients have to complete, in computerized format through the LearnConnect self-study training that includes basic courses on SEC-related topics.

In order to continuously improve audit quality and meeting expectations of the SEC, PCAOB and other regulators, all member firm partners performing work on a US domestic public issuer or a or Foreign Private Issuer (FPI) audits are required to attend a US PCAOB/SEC training programme.

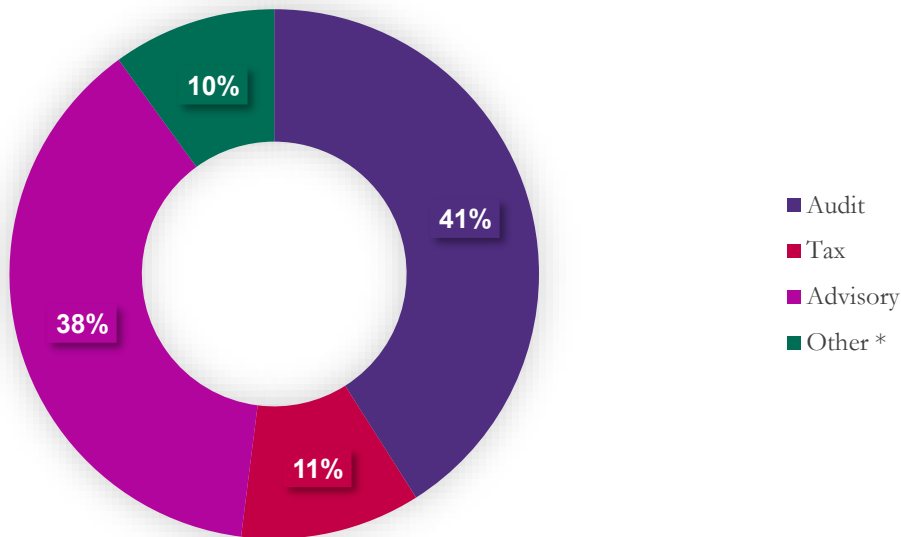
The Regional US PCAOB/SEC training is a critical component in continuously improving audit quality and meeting expectations of the SEC, PCAOB and other regulators. Attendance is monitored and considered during the GTAR process. Our managers performing significant work are also required to attend.

Training for Employees Dealing with Clients in Unique Industries

Employees dealing with unique industries such as: Not-for-Profit (third sector, institutional entities, government companies, etc.), have to undergo special training for the industry to which they provide services. Employees also participate in training sessions arranged by the Institute of Certified Public Accountants in Israel.

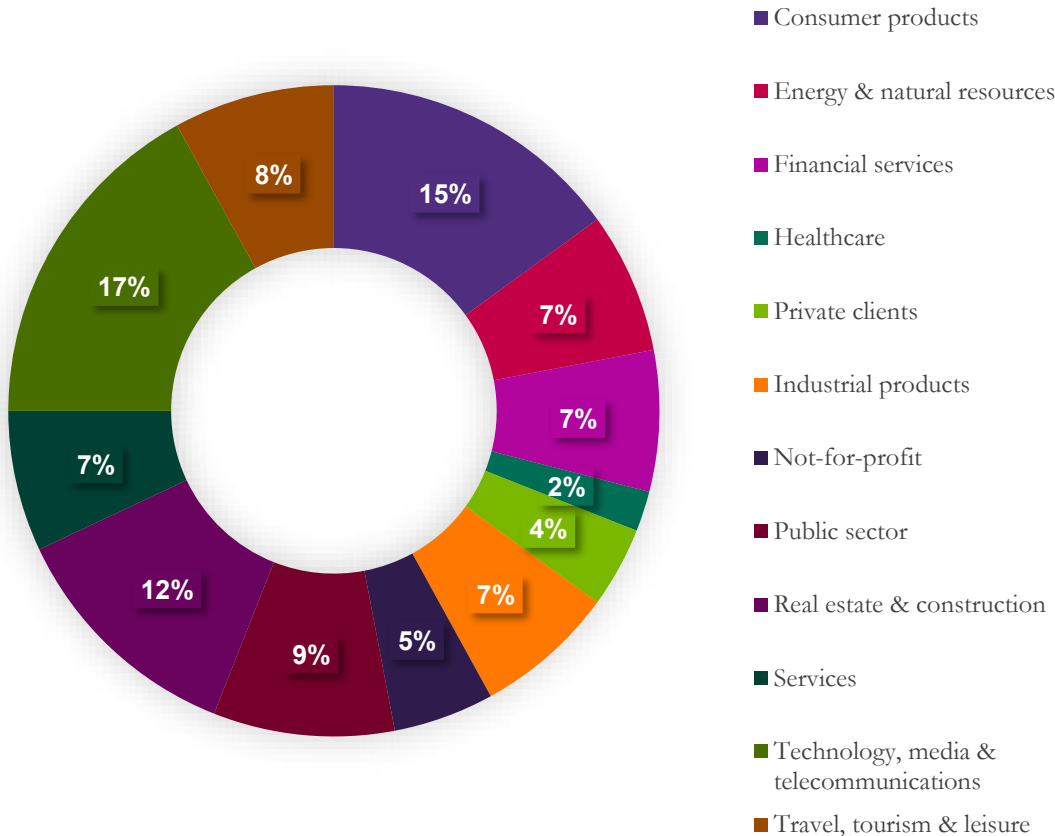
Revenue and Remuneration

The work that we do with clients can be broken into four broad areas



* Includes: outsourcing, supervisory and trustee services.

The industries that we serve can be broken down as follows:



Financial Information

The financial information presented below for GT Israel, in accordance with Article 13.2(k) (i)-(iv) of the EU Audit Regulation:

Financial information for the year ended December 31, 2019, expressed in ILS millions:

Service	Revenue in ILS millions
Revenues from audit services for audits of financial statements of non-EU companies with transferable securities admitted to trading on regulated markets in the EU	0
Revenues from permitted non-audit services of non-EU companies with transferable securities admitted to trading on regulated markets in the EU	0.40
All service revenues of Fahn Kanne & Co., CPA partnership (not including consulting and advisory subsidiaries)	46

(*) GT Israel currently have no public interest entity audit clients listed on a regulated market in the EU/EEA (European Economic Area) member states. We do however, expect this to change in the future.

Partners' Remuneration

Partners' remuneration consists of various components, as follows: a fixed component; a variable component based on the partner's profit sharing ratio in accordance with the partnership agreement; and an amount distributed to certain partners for their achievements based on qualitative criteria.

APPENDIX 1

Transparency Report EU disclosure: a list of EU/EEA Grant Thornton member firms who perform statutory audits of annual and consolidated annual financial statements:

Total revenues attributable to EU/EEA member firms is USD599m (approximately 27% of total global assurance revenues of USD2.2 billion).

Country	Legal entity	Country	Legal entity
Austria	Grant Thornton Austria GmbH	Ireland	Grant Thornton
Austria	Grant Thornton VERAX Wirtschaftsprüfungs - und Steuerberatungs Gesellschaft mbH	Ireland	Grant Thornton (NI) LLP
Belgium	Grant Thornton Bedrijfsrevisoren CV	Italy	Ria Grant Thornton S.p.A.
Bulgaria	Grant Thornton OOD	Latvia	Grant Thornton Baltic Audit SIA
Croatia	Grant Thornton revizija d.o.o.	Lichtenstein	ReviTrust Grant Thornton AG, Schaan
Cyprus	Grant Thornton (Cyprus) Ltd	Lithuania	Grant Thornton Baltic UAB
Czech Republic	Grant Thornton Audit s.r.o.	Lithuania	Grant Thornton Baltic UAB Kauno filialas
Denmark	Grant Thornton Statsautoriseret Revisionspartnerselskab	Lithuania	Grant Thornton Baltic UAB Klaipėdos filialas
Estonia	Grant Thornton Baltic OU	Luxembourg	Compliance & Control S.A.
Finland	Revico Grant Thornton Oy	Luxembourg	Grant Thornton Audit & Assurance
Finland	Idman Vilen Grant Thornton Oy	Luxembourg	Team Audit S.A.
Finland	Advico Finland Oy	Malta	Grant Thornton Malta
France	Grant Thornton	Netherlands	Grant Thornton Accountants en Adviseurs BV
France	AEG Finances	Norway	Grant Thornton Revisjon AS
France	IGEC	Poland	Grant Thornton Frąckowiak Sp. z o.o sp.k.
France	Tuillet Audit	Poland	Grant Thornton Polska Sp. z o.o. Sp.k
France	Cabinet Didier Kling & Associates	Portugal	Grant Thornton & Associados, SROC,Lda
France	Carib Audit & Conseil	Romania	Grant Thornton Audit SRL
Germany	Warth & Klein Grant Thornton AG	Slovak Republic	Grant Thornton Audit, s.r.o.
Germany	Warth & Klein Grant Thornton GmbH & Co. KG	Slovenia	Grant Thornton Audit d.o.o.
Germany	Trinavis GmbH & Co. KG Wirtschaftsprüfungsgesellschaft	Spain	Grant Thornton, S.L.P.
Germany	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH	Spain	Grant Thornton Andalucia, S.L.P.
Gibraltar	Grant Thornton (Gibraltar) Ltd	Spain	Cruces Y Asociados Auditores, S.L.P.
Greece	Grant Thornton SA	Sweden	Grant Thornton Sweden AB
Hungary	Grant Thornton Audit Kft.	United Kingdom	Grant Thornton UK LLP
Iceland	Grant Thornton endurskoðun ehf		

All information was collected from the global Grant Thornton annual member firm survey. Details are correct as of 30 September 2019.

Above information can be found at:

<https://www.gtconnect.global/documents/preview/48657/2019-EU-Audit-directive-list-of-EEA-firms>