



TRANSPARENCY REPORT 2018

Fahn Kanne & Co. Grant Thornton Israel (GT Israel)

For the year ended December 31, 2018

CONTENTS

Transparency Report	4
About Grant Thornton	4
Grant Thornton International Ltd.	4
Board of Governors.....	4
About Fahn Kanne & Co. Grant Thornton Israel	5
Our Distinguishing Features	5
Legal Structure, Ownership and Governance	6
Legal Structure.....	6
Organizational Structure	7
Brief Description of Activities	7
Internal Quality Control System	8
Ethics.....	8
Risk Management.....	8
Cybersecurity	8
Audit Methodology and Technology	10
VoyagerTM.....	10
Voyager Information System	10
Leading Effective Audit Practice (LEAP)	10
"Tone-at-the-Top" Culture.....	11
Human Resources	12
Rotation.....	12
Quality Assurance Review.....	13
Grant Thornton Assurance Review (GTAR).....	13
External Inspections.....	14
PCAOB (Public Company Accounting Oversight Board) Report of Inspection, June 2016	14
Public Interest Audit Clients	15
Independence Procedures and Practices	15
Independence Policies, Guidance and Training.....	15
International Independence Standards	16
Conflicts of Interest	16
Global Independence System	16
Client Acceptance and Continuance Process	17

Continuing Professional Education of Partners and Staff Eligible for Appointment as Statutory Auditors	18
Training	18
Organization-Wide Seminars.....	19
Training for New Employees.....	19
Training for Employees Handling International Clients.....	20
Training for Employees Dealing with Clients in Unique Industries	20
Revenue and Remuneration	21
Financial Information.....	22
Partners' Remuneration	22
Appendix 1	23

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 in our organization.

About Grant Thornton

Grant Thornton are a network of independent assurance, tax and advisory firms, made up of 53,000 people in over 135 countries.

Grant Thornton International Ltd.

Grant Thornton International Ltd. (GTIL) is a private company limited by guarantee, incorporated in England and Wales. It is an umbrella organisation that does not provide services to clients. 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 assurance, tax and advisory firms. 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 2,500 member firms with more than 53,000 Grant Thornton people, across 135 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

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 Grant Thornton member firms; and independent directors. The Board aims for a reasonable balance of diversity and representation from different geographical areas, including emerging markets.

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"), a member firm of Grant Thornton International Ltd., we are pleased to present our third annual transparency report.

This transparency report refers to the fiscal year ended December 31, 2018.

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 300 professional staff, including 18 partners 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 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.

Legal Structure, Ownership and Governance

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, as follows; two managing partners, and one audit partner. The Administrative Committee are 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.

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 135 countries. GT Israel is considered part of Europe.

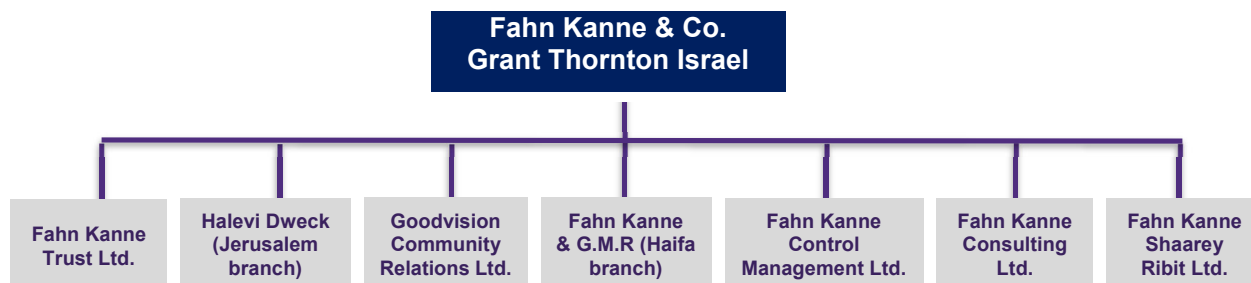
Member firms carry the Grant Thornton name, either exclusively or as part of their national practice names.

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")

Sixth¹ largest accounting firm in Israel. The Tel-Aviv head office and the Haifa 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.

Largest¹ 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.

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.

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 IAS19. The company has developed a unique methodology for determining discount rates and premiums for valuating non-traded bonds.

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

¹ According to the latest available information published by Dun & Bradstreet in Israel.

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.

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 CLEARR 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.

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. In 2017, we implemented an ongoing global cybersecurity programme to mitigate our exposure to cybersecurity threats through an integrated legal, risk, IT and service line approach. The 2017 plan introduced minimum cybersecurity standards to which all member firms are required to adhere. In 2018, the cybersecurity programme reviewed those mechanisms necessary to continuously protect our network and deliver on the commitments required by the Grant Thornton network.

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.

Our firm recently 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 with 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.

Increasing numbers of member firms are being asked by clients and potential clients to agree to contractual data protection commitments by clients regardless of jurisdiction. 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).

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

Audit Methodology and Technology

Grant Thornton's global audit methodology is called Horizon. Horizon is 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. Horizon is 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).

The GTIL audit manual fully explains the Horizon methodology, including GTIL policies and guidance that all Grant Thornton professionals should follow. It also includes many areas where firms can customize or supplement designated paragraphs for domestic circumstances.

The new global audit methodology places more emphasis on the engagement team's understanding and documentation of business process. Business processes result in the transactions that are recorded, processed and reported by the entity's information system. Obtaining an understanding of the entity's business processes assists the engagement team in obtaining an understanding of the entity's information system relevant to financial reporting in a manner that is appropriate to the entity's circumstances. Such understanding also assist the engagement team in identifying and assessing risks of material misstatement.

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

Voyager™

Until recently, most of the Grant Thornton member firms applied the global audit methodology using the Voyager suite: an integrated set of proprietary software tools (see below regarding a new software tool - LEAP suite of software tools that is due to replace the Voyager through 2020). 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 Voyager suite will be discontinued and replaced by the new software tool: LEAP – Leading Effective Audit Practice. During 2017, member firms of Grant Thornton begun implementing the LEAP software.

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 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.

At the beginning of 2020, GT Israel are expected to commence implementing the LEAP audit platform tool and revised methodology.

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 will be run across each member firm to drive adoption and engagement of this change. Among other benefits, our 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.

The new audit platform tool:

- offers flexibility and scalability to perform audits of all types and sizes
- puts global and local methodology guidance at auditors' fingertips
- allows for rapid responses to regulatory changes
- enables auditors to perform high-quality audits more efficiently
- gives auditors the ability to provide clients with better insights into their business and operations.

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.

The tool user interface was designed based on extensive feedback gathered from auditors throughout the design and development process.

GT Israel expects to commence the implementation of the LEAP audit platform tool and revised methodology during 2020.

"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

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) (previously: Grant Thornton Assurance Review)

Some important changes to the scope of the Grant Thornton Assessment & Review (GTAR) programme are taking place. The process is now being 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.

In July 2018, we were reviewed by GTAR. 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.

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 PCAOB and in the UK with the FRC, and therefore is subject to inspections by these regulators.

Our registration with the Canadian Public Accountability Board (CPAB) has recently been approved and we have been added to the list of 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, GT Israel was not subject to an inspection by the PCAOB.

We expect our next quality assurance inspection to be carried out by the PCAOB to take place sometime during July 2019.

The findings from our previous PCAOB inspection that took place in June 2016, are summarized below.

PCAOB (Public Company Accounting Oversight Board) Report of Inspection, June 2016

Further to the last quality assurance inspection carried out by the PCAOB of our firm during June 2016, 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 or to fulfill the objectives of its role in other engagements.

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.

Public Interest Audit Clients

During the period covered by this Transparency Report, January 1, 2018 – December 31, 2018, 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

In 2017, a new automated global relationship checking tool, the Global Relationship System (GRS), was implemented in all member firms. 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.

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 is 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 replaces the Global Learning Centre (GLC) and will include all of 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
- Methodology proficiency series

Methodology & Learning SharePoint site:

- 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 (part of LEAP), 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).

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 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 Foreign Private Issuer (FPI) audits are required to attend a US PCAOB/SEC training programme.

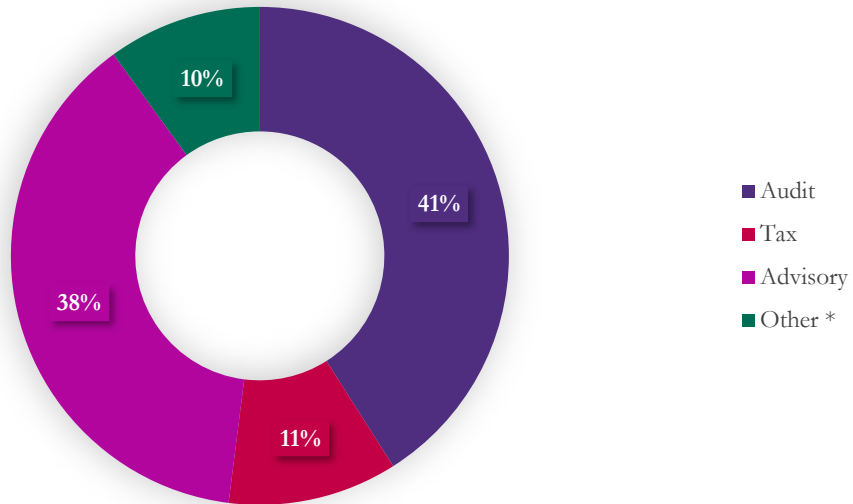
The Regional US PCAOB/SEC training is a critical component in continuously improving audit quality and meeting expectations of the SEC, PCAOB and other regulators. Attendance is monitored and considered during the GTAR process. Our managers performing significant work are also required to attend.

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.

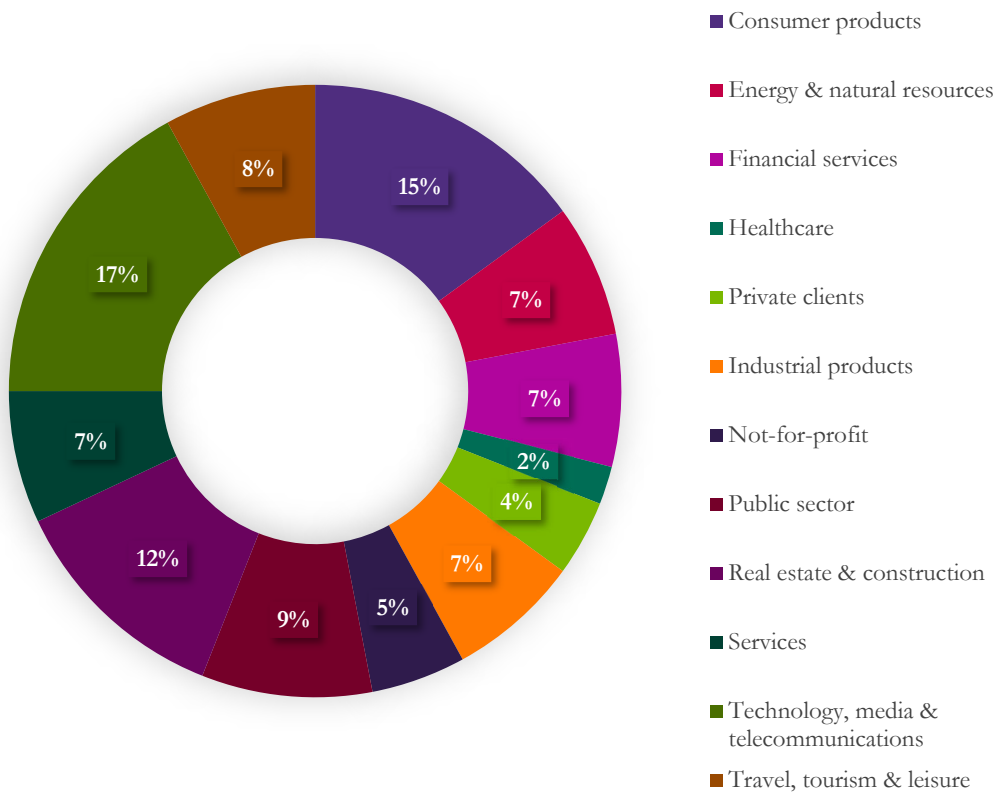
Revenue and Remuneration

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, 2018, 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	0.07
All service revenues of Fahn Kanne & Co., CPA partnership (not including consulting and advisory subsidiaries)	52

(*) 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 USD598m (approximately 28% of total global assurance revenues of USD2.1 billion).

Country	Legal entity	Country	Legal entity
Austria	Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft	Ireland	Grant Thornton
Belgium	Grant Thornton Bedrijfsrevisoren CVBA	Ireland	Grant Thornton (NI) LLP
Bulgaria	Grant Thornton OOD	Italy	Ria Grant Thornton S.p.A.
Croatia	Grant Thornton revizija d.o.o.	Latvia	Grant Thornton Baltic SIA
Cyprus	Grant Thornton (Cyprus) Ltd	Lichtenstein	ReviTrust Grant Thornton AG, Schaan
Czech Republic	Grant Thornton Audit s.r.o.	Lithuania	Grant Thornton Baltic UAB
Denmark	Grant Thornton Statsautoriseret Revisionspartnerselskab	Lithuania	Grant Thornton Baltic UAB Kauno filialas
Estonia	Grant Thornton Baltic OÜ	Lithuania	Grant Thornton Baltic UAB Klaipėdos filialas
Finland	Revico Grant Thornton Oy	Luxembourg	Compliance & Control S.A.
Finland	Idman Vilen Grant Thornton Oy	Malta	Grant Thornton Malta
Finland	Advico Finland Oy	Netherlands	Grant Thornton Accountants en Adviseurs BV
France	Grant Thornton	Norway	Grant Thornton Revisjon AS
France	AEG Finances	Norway	Grant Thornton Økonomiservice AS
France	IGEC	Poland	Grant Thornton Frackowiak 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 Audit SRL
France	Carib Audit & Conseil	Romania	Grant Thornton Audit SRL
Germany	Warth & Klein Grant Thornton AG	Slovak Republic	Grant Thornton Audit, s.r.o.
Germany	ATS Allgemeine Treuhand GmbH	Slovenia	Grant Thornton Audit d.o.o.
Germany	Warth & Klein Grant Thornton GmbH & Co. KG	Spain	Grant Thornton, S.L.P.
Germany	Sozietät Prof. Dr. Dr. h. c. W. Klein u. a., Düsseldorf	Spain	Grant Thornton Andalucia, S.L.P.
Germany	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH	Spain	Cruces Y Asociados Auditores, S.L.P.
Germany	Warth & Klein Grant Thornton Revisionsunion GmbH	Spain	Grant Thornton Corporación, S.L.P.
Greece	Grant Thornton SA	Sweden	Grant Thornton Sweden AB
Hungary	IB Grant Thornton Audit Kft.	United Kingdom	Grant Thornton UK LLP
Iceland	Grant Thornton endurskoðun ehf		

Above information can be found at:

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