



ANNEXURE 'P'

Updated on January 6th 2025

PREFERENCE TO SUPPLIERS OF "ISRAELI MANUFACTURED GOODS"

1. In this document the following definitions shall apply:
 - a) "IEC" or "Israel Electric" - shall mean The Israel Electric Corporation Ltd.
 - b) The "Regulations"- shall mean the Tenders Regulations (Preference for Israeli Products) 5755-1995
 - c) "Israeli Manufactured Goods" - shall mean as defined in the Regulations.
Goods from the Area Surrounding the Gaza Strip: Israeli manufactured Goods that that were manufactured in the Area surrounding the Gaza Strip.
Area Surrounding the Gaza Strip: greater Sderot area and localities surrounding Gaza as defined in the Regulations.
 - d) Manufacture: shall mean the production of Goods or a fundamental change made to the Goods resulting in new or different goods. In the case of Goods from the Area Surrounding the Gaza Strip, "fundamental change" including "double fundamental change".
"Double Fundamental Change" – a process in which a product has undergone a fundamental change in Israel in such a way that a distinct and independent intermediate product is created, which is used as a raw material for the production of another product.
 - e) "Preference" - shall mean a preference of fifteen percent (15%) for Israeli Manufactured, and of twenty percent (20%) for Goods from the Area Surrounding the Gaza Strip in the comparison of prices submitted by Bidders participating in the Tender as stated in the Regulations.
 - f) The "Agreement" - shall mean the Agreement on Government Procurement (Marakesh) since 1996.
2. Subject to the provisions set forth in paragraphs 3 and 4 below, IEC will grant a preference to proposals for the supply of Israeli Manufactured, and proposals for the supply of Goods from the Area Surrounding the Gaza Strip, submitted in its tenders, only in each of the following circumstances:
 - a) Where the value of the transaction is less than SDR 355,000 (approximately \$495,000);
 - b) Regardless of the value of the transaction, where the transaction is for the purchase of cables (H.S. 8544), transformers (H.S. 8504) disconnectors and switches (H.S. 8535 - 8537) electric motors (H.S. 85012099, 85015299, 85015199, 85015290, 85014099, 85015390);
 - c) Any other instance provided that the preference shall not contravene the provisions of the Agreement.
3.
 - a) The preference shall be applied only as part of the price criteria and the grant of any preference shall not restrict IEC from considering other criteria, other than the price, for purposes of determining the Bidder awarded the Tender.
 - b) Where a procurement procedure was exempted from a tender, no preference will be given.
4.
 - a) A Bidder requesting a Preference shall submit, at the pricing stage together with its price proposal, a declaration that its proposal is for Israeli Manufactured Goods and/or Goods from the Area Surrounding the Gaza Strip in the attached format.
 - b) Should an additional competitive procedure take place, and should a Bidder submit another proposal which is more beneficial to IEC, the Bidder shall be requested to attach to its new proposal, a declaration that its proposal is of Israeli Manufactured Goods and/or Goods from the Area Surrounding the Gaza Strip which shall address its new proposal, as applicable.
 - c) A Bidder requesting a Preference shall be denied such Preference in the event the Bidder has failed to submit the abovementioned declaration, (i) at the time of submitting its price proposal, or, (ii) where an additional competitive procedure was conducted - at the time of the submission of the more beneficial proposal (to the extent that the Bidder's proposal has changed), or (iii) within an additional time period

PLEASE NOTE: This information may include "Inside Information" in accordance with Israel's Securities Law, 1968, and making use of this information may constitute a criminal offence pursuant to that Law .Therefore please treat this information as CONFIDENTIAL.

to be determined by IEC's sole discretion.

- d) A Bidder whose proposal will be awarded the tender due to Preference, undertakes, as a condition for signing the Order/Contract with it, submit to IEC within five (5) days of the announcement of the award, an accountant's certificate , according to the attached wording , completed and signed by an accountant (hereinafter referred to as the "**Approval**") . The Accountant's Approval shall refer separately to each of the items for which the Bidder requested a Preference.
 - e) Failure to produce the abovementioned Approval signed by an Accountant as required, within the period stated above, or on another date to be approved by IEC, shall result in the cancellation of the award and will entitle IEC the right to resort to all remedies available to it under the terms of the tender and the law.
 - f) It is hereby clarified that in the event the abovementioned award is cancelled, IEC shall be entitled, at its sole discretion, to choose the next proposal in line and/or make any other decision, all according to the circumstances of the matter and its needs. IEC will base its decision on the price proposals as submitted to the tender, even where the tender was conducted as an evolving computerized on-line tender.
 - g) If the goods to be supplied to IEC do not form part of an existing stock at the time of submitting the Approval, the Bidder will be required to re-submit the Approval at the end or towards the end of the manufacturing process. The Approval must be updated according to its new submission date as set forth in paragraph 7 below.
5. Where any Bidder is a candidate to be awarded a transaction or any part thereof due to receipt of a preference, IEC shall have the right to negotiate with such Bidder and with other Bidders who are entitled to a preference, in order to reduce the price of the goods, all in accordance with the provisions of the Regulations and to grant the award of a contract based on the results of the negotiations.
- 6.
- a) Where there is a Bidder who is the supplier of Non-Israeli manufactured goods (hereinafter the "**Non-Israeli Supplier**") who is a candidate to be awarded a Tender which can be split ("**Split**") and whose proposal regarding the quantity that IEC has decided to purchase in the Tender, exceeds NIS 65,000,000 (calculated in accordance with the Representative Rate of Exchange published by the Bank of Israel on the date of comparing the Bidders proposals), IEC will be entitled , in the case of such Split, to transfer 50% of the quantity (that IEC has decided to purchase) to a Bidder of Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip ,if there was such a split (hereinafter referred to as the: "**Split**") in accordance with terms and conditions stipulated in the provisions of Subpara. (b) below and subject to the Agreement insofar as such does not contravene the provisions of the Agreement.
 - b)
 - 1. If the decision to grant the award was based solely upon the price criteria, the Split shall be conditioned upon the approval of the Bidder of the Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip, who submitted the lowest price proposal, to compare its prices to those of the Non-Israeli Supplier.
 - 2. If the decision to grant the award was based upon the price criteria as well, as additional criteria, the Split shall be subject to the consent of the Bidder of the Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip whose weighted score is most beneficial to IEC, to reduce its price in such a way that after the reduction, the weighted score of the proposal of the Bidder of the Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip, shall be identical to that of the Non-Israeli Bidder.

- c) The price proposed by the Non-Israeli Supplier for the quantity stipulated by IEC, as well as the remaining terms of his proposal, shall not change as a result of the Split.
- 7.
- a) If the goods offered to IEC are not supplied from an inventory which exists at the date of submission of the Price Proposal, then, the Bidder of the Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip who was awarded the Tender due to a Preference or who was awarded part of the transaction according to para. 6 above) shall resubmit the above Confirmation to IEC duly signed and updated up to the date of its re-submission. Such Confirmation shall be based on the calculation of the actual value of the goods at the following dates:
1. If the terms of the contract stipulate one delivery date: within 20-45 days prior to the date of delivery.
 2. If the terms of the contract stipulate a number of delivery dates: within 20-45 days prior to the last date of delivery.
- b) IEC shall be entitled to withhold payment up to an amount of 15% (fifteen percent) (hereinafter referred to as the "**Amount Withheld**") of the updated contract price (valid as to the last date of delivery) until it receives the Confirmation stipulated in para. 7(a) above approved by IEC.
- c) Should the Bidder awarded the Order/Contract fail for any reason, to provide the Confirmation set forth in Article 7(a) above, within 120 (one hundred and twenty) days from the date stipulated in para.7(a) above, IEC shall be entitled without any warning or prior notice, to set off the Amount Withheld from the invoiced amount or, alternatively, receive from the Bidder awarded the Order/Contract an amount equal to 15% (fifteen percent) of the updated contract price (as of the last delivery date) at the agreed and appropriate liquidated damages for breach of such obligation by the Bidder awarded the Order/Contract .
8. In order to verify that the proposal includes Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip, IEC shall be entitled, at any stage, to conduct an audit of the books and other documents belonging to any Bidder who was awarded the Order/Contract or part thereof due to the Preference or a Bidder who was awarded part of the transaction in accordance with Article 6 above. The audit shall be conducted by an accountant or any other person appointed by IEC (hereinafter referred to as the "**Auditor** ").
9. According to the Bidder's request, the Auditor examining the books and documents submitted for auditing shall sign a confidentiality agreement drafted by IEC. IEC shall also sign this confidentiality agreement. The confidentiality agreement shall state that the Auditor and IEC shall not disclose any of the information submitted during the audit to a third party, unless requested in legal proceedings; or an arbitrator appointed by law or by court order.
10. In any instance where:
- a) The Bidder had failed to comply within 14 days from the date determined by the Auditor with the request to submit the books and documents; or
 - b) In the opinion of the Auditor or IEC, the requested books and documents are incomplete or contain insufficient information for purposes of verifying the Bidder's right to receive Preference; or
 - c) It is found, based on the Auditor's audit, that the proposal does not include Israeli Manufactured Goods

The Bidder shall not be entitled to a Preference and if a Bidder had already been awarded an Order/Contract or part thereof, by virtue of or with the aid of the Preference, the Bidder awarded the Order/Contract shall pay IEC, as just and fair compensation, liquidated damages in an amount equal to the difference between such Bidder's proposed price and the lowest proposal submitted by another Bidder participating in the Tender, plus 10% (ten

percent) of the aggregate price of the proposal of the Bidder awarded the Order/Contract (hereinafter referred to as the "**Compensation**"). In the event the Bidder's proposal was the lowest and no lower proposal can be found, the amount of liquidated damages payable to IEC shall be 10% (ten percent) of the aggregate price of the Bidder awarded the Order/Contract.

In this Article, the word "price": shall mean: the price according to the price adjustment formula included in the relevant proposal, as of the date preceding the date the liquidated damages are due.

IEC and/or the Auditor's decision regarding the above, shall be final and binding on the parties.

Without derogating from the above, IEC shall be entitled to withhold, out of any sums due to the Bidder awarded the Order/Contract or any other order/contract, an amount equal to the Compensation, until such time as the Auditor has made its findings as to the Israeli component in the proposal of the Bidder awarded the Order/Contract.

11. IEC shall be entitled to recover the Compensation or part thereof, according to para. 7 above, and/or para. 10 above, in the following ways, *inter alia* :
 - a) Drawing on the performance guarantee or any other guarantee including a standby letter of credit in favour of IEC or provided to IEC by the Bidder and/or
 - b) Offsetting the Compensation amount against any payment due to the Bidder awarded the Order/Contract from IEC, including set off from any existing orders with IEC.
12. In addition to any other remedy available to IEC, in accordance with the law, IEC reserves the right, at its sole discretion, to institute proceedings for the suspension and/or removal of the Bidder awarded the Order/Contract from IEC's list of authorized suppliers, if the Bidder awarded the Order/Contract made a declaration that the goods to be supplied are Israeli Manufactured Goods or goods manufactured in the Area Surrounding the Gaza Strip and such declaration is found to be false.
13. Each word or term appearing in this document and not defined in Article 1 above, and appearing in the Regulations, shall be interpreted according to their meaning or definition in the Regulations.
14. In the event of any contradiction between this Annexure P and the law, the law shall prevail.

Annexure 1

Bidder's declaration for Israeli Manufactured Goods and/or Goods from the Area Surrounding the Gaza Strip

I, the undersigned, [] identification number [] after being warned that I must tell the truth, and that I will be subject to the penalties prescribed by law if I do not do so, I hereby declare in writing as follows:

1. I provide this declaration attached to the proposal of [] (hereinafter referred to as the "Bidder") in tender number []
2. I hold the position of [] in the service of the Bidder
3. In my position, I am familiar with all the information on which my statement below is based and I am authorized to give this declaration on behalf of the Bidder.
4. The Bidder's proposal is of (kindly circle the relevant sentence):
 - Israeli Manufactured Goods that meet the requirements of the Tenders Regulations (Preference for Israeli Products) 5755-1995.
 - Goods from the Area Surrounding the Gaza Strip that meet the requirements of the Tenders Regulations (Preference for Israeli Products) 5755-1995.

*In an evolving computerized on-line tender, the minimum amount in which the proposal is for Israeli Manufactured Goods or Goods from the Area Surrounding the Gaza Strip. It will be stated instead of the words: "the Bidder's proposal", "Bidder's proposal up to an amount of []"

5. I hereby declare that this is my name, this is my signature and the content of my declaration are true.

Attorney's approval

I the undersigned, [] license number [], hereby confirm that on [] at my office located at [], appeared before me Mr./ Miss [] who identified himself/herself according to identification number [] or alternatively, known to me personally, and after I warned him/her that he/she must tell the truth and that he/she will be subject to the penalties prescribed by law if he/she does not do so, and confirmed to me the correctness of the above declaration and signed it in front of me.

Annexure 2

PREFERENCE TO SUPPLIERS OF ISRAELI MANUFACTURED GOODS

The Accountant's Certificate

To:

The Israel Electric Corporation Ltd.
Nativ Ha'Or 1
Haifa

re: Price of the Israeli component submitted by: ____ (insert the bidder's name)
_____ for tender number submitted by: ____ (insert the bidder's
name) _____

At the request of [_____] (hereinafter referred to as: "the **Bidder**") and as its auditors, we have audited the Bidder's proposal for tender number [_____] as stated above, and its declaration dated _____, in connection with the value of the "Israeli Component" (as such term is defined in the Tenders Regulations (Preference for Israeli Products) – 5755-1995) in the Bidder's price proposal, for sections [_____]. Attached hereto please find the Bidder's declaration marked with our office stamp for purposes of identification only. This declaration is the responsibility of the Bidder's Board of Directors and management. Our responsibility is to provide an opinion on the declaration based on our audit(*) .

We conducted our audit in accordance with generally accepted auditing standards in Israel, which require that we plan and perform the audit to obtain reasonable assurance about whether the statement in question is materially misleading. The audit includes a sample examination of the evidence in support of the above statement (including an audit of the company's documents regarding products manufactured / imported by it and statements from the sub-suppliers and "special reports" of accountants of sub-suppliers for the audit of these statements). We believe that our audit provides a reasonable basis for our opinion

In our opinion, the above statement reflects, in all material respects, the information contained therein.

**** Where the Tender is conducted as an evolving computerized on-line tender (as set forth under Sub Article 3E of the Invitation to Submit Proposals), the following paragraph must be completed:

The above approval is based on the fact that the prices of the items are not lower than the amounts noted below: Item number one (catalogue number _____) _____
Item number two (catalogue number _____) _____

Sincerely

Accountants

(*) **Note:** ensure that the declaring company declares that the rate is at least 35% and not the exact rate.

Notes:

- The format of this statement was determined by a joint committee of the Government Procurement Administration and the Israel CPA - August 2009.
- to be printed on the Accounting firm's letter head
- The Bidder's declaration mentioned above shall be attached.