

AROTECH CORPORATION

Policy and Procedures for Submitting Complaints Concerning Accounting Matters

General

It is the policy of Arotech Corporation (the “Company”) to comply with, and to require its employees to comply with, all applicable legal and regulatory requirements relating to accounting, auditing and internal control matters, including its Code of Ethics for Senior Financial Officers (collectively, “Accounting Matters”). The Code of Ethics can be found as an exhibit to the Company’s 2003 annual report on Form 10-K (http://www.sec.gov/Archives/edgar/data/916529/000114420404003965/v02378_ex14.txt) and on the Company’s website and is available free of charge from the Secretary of the Company.

While the Company has implemented various internal controls that are intended to prevent, deter and remedy any violations or potential violations of applicable laws and regulations relating to Accounting Matters, the Company realizes that even the best of systems cannot ensure that no violations of this nature will occur.

The following policy and procedures:

- govern the process by which employees and others can either directly or anonymously notify the Company of their complaints and concerns (collectively referred to as “Complaints”) about the Company’s Accounting Matters; and
- establish a mechanism for responding to and keeping a record of those Complaints.

No Retaliation Policy

The Company will not terminate, demote, threaten, harass, or in any other manner retaliate or discriminate against any employee based upon the good faith reporting by such employee of Complaints regarding the Company’s Accounting Matters. All employees of the Company are prohibited from taking retaliatory or other discriminatory action against another employee for the submission of such Complaints.

Procedures for Reporting Complaints

- Employees with Complaints about the Company’s Accounting Matters may submit their Complaints in person, by mail or other written communication or by telephone to the individual who has who has been appointed as the Company’s “Complaint Administrator.” Jon B. Kutler, the Company’s lead independent director, is the Company’s current Complaint Administrator. His contact information is as follows:

By e-mail:

<lead-independent-director@arotech.com>

By regular mail:

Lead Independent Director
Arotech Corporation
1229 Oak Valley Drive
Ann Arbor, Michigan 48108

A copy will automatically be sent to Yaakov Har-Oz, Arotech's general counsel.

Any Complaints submitted in this manner will be kept confidential by the Complaint Administrator to the extent possible, consistent with his responsibility to investigate such Complaints.

Procedures for Reporting Complaints Anonymously

The Complaint Administrator can be contacted anonymously, by submitting the form located on our corporate website at <http://arotech.com/compro/complaint.html>. Complaints sent in this manner will automatically be stripped of all computer-encoded information identifying the originating e-mail address, and will then automatically be forwarded to Mr. Kutler's regular e-mail address at Arotech, which is <lead-independent-director@arotech.com>.

All Complaints should (i) relate only to Accounting Matters, (ii) provide as many details, such as the nature of the Complaint, the persons at the Company to which the Complaint relates, the dates of the events detailed in the Complaint, etc. as possible, and (iii) identify the status – but not the identity – of the person making the Complaint (employee, supplier, etc.).

Procedure for Handling Complaints

- Upon receipt of a Complaint, the Complaint Administrator will determine whether the Complaint pertains to Accounting Matters and, where possible (if the Complaint has not been submitted anonymously), will acknowledge receipt of the Complaint to the person who submitted it.
- If the Complaint Administrator determines that the Complaint pertains to the Company's Accounting Matters, the Complaint Administrator will determine the most appropriate person or persons to investigate the Complaint. In most cases, this will be the Audit Committee or such other persons as the Audit Committee determines to be appropriate.
- The Audit Committee or its designees will conduct a thorough investigation of the Complaint.

- Based on this investigation, the Audit Committee will determine what corrective action, if any, is required.
- Any corrective action will be taken as promptly as possible, as determined and directed by the Audit Committee.
- If the Complaint Administrator determines that the Complaint does not pertain to the Company's Accounting Matters, the Complaint Administrator will, where possible (if the Complaint has not been submitted anonymously), notify the person who submitted the Complaint of his determination. If the person who submitted the Complaint disagrees with this determination, he or she may ask the Audit Committee to review whether or not the Complaint pertains to Accounting Matters. The determination of the Audit Committee as to whether the Complaint pertains to the Company's Accounting Matters will be final.

Records of Complaints and Investigations

The Complaint Administrator will:

- keep a log of all Complaints received from employees and others;
- keep track of the status of the investigation and resolution of each Complaint;
- monitor the implementation of any required corrective action;
- prepare a quarterly report for the Audit Committee summarizing the various Complaints received, the status of their investigation, what corrective action, if any, was directed to be taken by the Audit Committee and the implementation of such corrective action; and
- retain copies of its Complaint log and quarterly reports to the Audit Committee in accordance with the Company's document retention policy.