

Elron Electronic Industries Ltd.
(the "Company")

February 3, 2020

The Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 9546434

Tel Aviv Stock Exchange Ltd.
2 Ahuzat Bayit Street
Tel Aviv 6525216

Via Magna

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Re: Immediate Report regarding the convening of a Special General Meeting of the Company's shareholders

An immediate report (the "**Report**") is hereby given pursuant to the Companies Law, 5759-1999 (the "**Companies Law**"), the Securities Law, 5728-1968 (the "**Securities Law**"), the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**Immediate Report Regulations**") and pursuant to the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting in a Public Company and the Addition of an Issue to the Agenda), 5760-2000 (the "**Notice & Announcement Regulations**"), the Companies Regulations (Written Vote and Position Statements), 5766-2005 (the "**Voting Regulations**") and the Securities Regulations (Transaction between a Company and the Controlling Shareholder therein), 5761-2001 ("**Transaction with a Controlling Shareholder Regulations**"), regarding the summoning of an annual general meeting of the Company's shareholders, which will be held on March 12, 2020 at 15:00 (Israel time) at the Company's offices at TOHA, 114 Yigal Alon, 27th Floor, Tel Aviv (the "**Company's Offices**"), the agenda of which shall consist of the issues specified in this Report below.

Part A – details regarding the summoning of the General Meeting

1. The Items on the Agenda and a Summary of the Proposed Resolutions

The following is a summary of the items and proposed resolutions on the agenda of the General Meeting.

1.1. Item no.1 – Approval of the Compensation Policy for the Officers of the Company

For further details regarding this resolution see Part B of this Report below.

Form of Proposed Resolution: To approve the suggested Compensation Policy for the Officers of the Company in the form, attached as **Annex A** hereto (the "**Compensation Policy**"), according to Section 267A of the Companies Law.

1.2. Item No. 2. – Approval of the re-granting of indemnification letters to the Directors and the Officers of the Company which they or their relatives are the Controlling Shareholders, as well as to Officers in

the Company with respect to whom the Controlling Shareholders may be considered to have personal interest in the provision of indemnification letters

For further details regarding this resolution, including in accordance with the Transaction with a Controlling Shareholder Regulations, see Part C of this Report below.

Form of Proposed Resolution: To approve the re-granting of indemnification letters to the Directors and the Officers of the Company, who are, and/or their relatives are, Controlling Shareholders, as they may be from time to time, serving or who will serve as Officers of the Company from time to time, as well as to Officers of the Company with respect to whom the Controlling Shareholders may be considered to have a personal interest in the provision of the indemnification letter, who are serving or who will serve as Officers of the Company from time to time, for their actions (even prior to the granting of the indemnification letter) in the capacity of their office at the Company and for their actions in the capacity of their office upon the Company's request, as the officers in another company, in which the Company holds shares, directly or indirectly, or that the Company has any interest in, under the identical terms of the current indemnification letter existing in the Company and attached as **Annex B** hereto, for three years commencing from the date of approval of the shareholders meeting convened hereby.

2. **Record Date**

The record date entitling a shareholder to participate in and vote at the general meeting and the Adjourned Meeting, in accordance with Section 182 of the Companies Law and Regulation 3 of the Voting Regulations, is the close of trading on the Tel Aviv Stock Exchange Ltd. (TASE) on February 13, 2020 (henceforth: the “**Record Date**”). If there is no trading on the Record Date, the record date will be the last trading day preceding such date.

3. **Legal Quorum and Adjourned Meeting**

- 3.1. A legal quorum shall be constituted upon the presence, either in person or by proxy, of at least two shareholders holding collectively at least 33.3% of the issued shares conferring voting rights in the Company, within half an hour from the time set for the Meeting (the: “**Legal Quorum**”). If a Legal Quorum is not present within half an hour from the time set for the meeting, the meeting shall stand adjourned to the same day of the following week at the same time and place, or to a later date if indicated in the notice convening the meeting (“**Adjourned Meeting**”), that is, March 19, 2020 at 15:00. If a Legal Quorum is not present at the adjourned meeting within half an hour from the time set for the meeting, one shareholder, holding at least 25% of the voting rights, present in person or by proxy, shall constitute a Legal Quorum.
- 3.2. A General Meeting at which a Legal Quorum is present is entitled to resolve on the postponement of the Meeting for another date and place

that will be determined; The Adjourned Meeting will not discuss an item that was on the agenda for the original meeting and which no resolution was passed on.

4. **Required Majority**

4.1. The required majority for the approval of the proposed resolution specified in Item No.1 on the Agenda (According to Section 1.1 above), is a simple majority of the shareholders who are entitled to vote and who voted at the meeting, in person or by proxy (including via ballot), without taking into account the abstaining votes, provided that one of the following is fulfilled:

- (1) The count of the majority votes at the general meeting shall include a majority of all the votes of shareholders who are neither the controlling shareholders at the Company nor have a personal interest in the approval of the Compensation Policy, who voted at the Meeting; In counting the votes of the said shareholders, abstaining votes shall not be taken into account; The provisions of Section 276 of the Companies Law, shall apply, mutatis mutandis, to a shareholder who has a personal interest.
- (2) The total number of dissenting votes among the shareholders specified in Subsection (1) above shall not exceed a rate of two percent (2%) of the total voting rights in the Company.

It should be noted that, according to Section 267A(c) of the Companies Law, the Company's Board of Directors may approve the resolution on Item No. 1 on the agenda, even if the general meeting opposes its approval, insofar as the Compensation Committee and the Board of Directors will decide, on the basis of detailed reasons and after they discuss anew the Compensation Policy for the Company's Officers, that its approval, notwithstanding the objection of the general meeting, is for the benefit of the Company.

4.2. The required majority for the approval of the proposed resolution specified in Item No.2 on the Agenda (According to Section 1.2 above) is a simple majority of the shareholders who are entitled to vote and who voted at the Meeting, in person or by proxy (including via ballot) provided that one of the following is fulfilled:

- (1) The count of the majority votes at the general meeting shall include a majority of all of the votes of shareholders who do not have a personal interest in the approval of the resolution, who voted at the meeting. In counting the votes of the said shareholders, abstaining votes shall not be taken into account ;

- (2) The total number of dissenting votes among the shareholders specified in Subsection (1) above shall not exceed a rate of two percent (2%) of the total voting rights in the Company.
- 4.3. The Controlling Shareholder of the Company, Discount Investment Corporation Ltd (“DIC”) does not hold the majority required to pass the resolutions set forth in Sections 1.1 and 1.2 above.

5. Manner of Voting

- 5.1. A shareholder of the Company at the Record Date, is entitled to participate in the Meeting and vote, in person or to appoint a proxy or through a ballot within the meaning thereof in section 87 to the Companies Law, in accordance with the Company's Articles of Association, the provisions of the Companies Law and as detailed below. A shareholder under section 177(1) to the Companies Law, that is, a shareholder whose shares are registered with a member of the Tel Aviv Stock Exchange (hereinafter: “**TASE Member**”) and that share is included among the shares which are registered in the shareholders’ register in the name of a nominee company (hereinafter: “**Non-registered Shareholder**”), may also vote via an electronic ballot that will be sent to the Company through the electronic voting system that operates under Article B of Chapter G2 of the Securities Law (hereinafter: “**Electronic Voting**”, “**Electronic Voting System**” and “**Electronic Ballot**”, respectively).
- 5.2. A document appointing a proxy for voting (the “**Letter of Appointment**”), as well as an original power of attorney by virtue of which the Letter of Appointment was signed (if any), shall be prepared and signed by the principal or authorized person in writing, and if the principal is a corporation, the Letter of Appointment shall be prepared and signed in a manner which binds the corporation and must be deposited at the Company's registered office at least 48 hours before the time scheduled for the meeting. The Company may require that a written approval be given, at its discretion, regarding the authority of the signatories to bind the corporation. The Letter of Appointment shall state both the full names of the principal and of his proxy, as appears at the Registrar of Companies or in the I.D. card (as the case may be), their number at the Registrar of Companies or their I.D. numbers (as the case may be), and the place of their incorporation or their passport country (as the case may be).

6. Confirmation of Ownership

- 6.1. Pursuant to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at the General Meeting), 5760-2000 (“**Confirmation of Ownership Regulations**”), a Non-registered Shareholder, who wishes to vote at the Meeting, either in person or by proxy, will provide the Company prior to the Meeting with confirmation regarding his ownership of the share on the Record Date, which must be received from the TASE Member with which his right to the share is

registered, as required by the Confirmation of Ownership Regulations (hereinafter: the “**Ownership Confirmation**”).

- 6.2. A shareholder whose shares are registered with a TASE Member is entitled to receive the Ownership Confirmation from such TASE Member through which he holds his shares, at the TASE Member’s branch or via post to his or her address for the cost of postage only, upon request, provided such request was made in advance for a specific securities account. According the Confirmation of Ownership Regulations, an electronic message approved under Section 44K5 of the Securities Law, concerning the data of users of the Electronic Voting System – is deemed an Ownership Confirmation for every shareholder included therein.

7. Voting by Ballot and Position Statements

- 7.1. According to the Voting Regulations, a shareholder may vote at the Meeting on the proposed resolutions that are on the agenda, as detailed in Section 1 above, via ballot as specified below. The ballot and position statements with respect to the Meeting may be found on the distribution website of the Israel Securities Authority at <https://www.magna.isa.gov.il> (hereinafter: the “**Distribution Website**”) and on the website of the Tel Aviv Stock Exchange Ltd. at <http://maya.tase.co.il> (hereinafter: the “**TASE Website**”). A shareholder may request the ballot and position statements directly from the Company, free of charge.
- 7.2. A TASE Member will send, free of charge, via e-mail, a link to the texts of the ballot and position statements on the Distribution Website, to every Non-registered Shareholder, unless the shareholder has notified such TASE Member that he is not interested therein, provided that the notice was given regarding a specific securities account and on a date prior to the Record Date.
- 7.3. The vote shall be cast on the second part of the ballot, as published on the Distribution Website.
- 7.4. The ballot (if non-electronic) of a Non-registered Shareholder should be delivered to the Company along with the Ownership Confirmation, such that the ballot will arrive at the Company's registered offices **no later than four hours prior to the time set for the Meeting** (i.e. – no later than March 12, 2020 at 11:00).
- 7.5. A shareholder registered in the shareholders' register, should deliver the ballot to the Company, along with a photocopy of his or her identity card or passport or certificate of incorporation, such that the ballot will arrive at the Company's registered offices **up to six hours prior to the time set for the General Meeting** (i.e. – by March 12, 2020 at 09:00).

- 7.6. A shareholder may approach the registered office of the Company and after proving his identity, may withdraw his ballot and Ownership Confirmation **up to 24 hours prior to the time set for the Meeting.**
- 7.7. **A shareholder participating in a vote with respect to a resolution on the agenda, will provide the details required as specified in Section 10 below, insofar as the provisions of the Section are relevant to him.**
- 7.8. A ballot to which an Ownership Confirmation is not attached (or alternatively, an Ownership Confirmation has not been submitted via the Electronic Voting System) or with regard to a registered shareholder, where a photocopy of his or her identity card, passport or certificate of incorporation, has not been attached, will be invalid.

8. **Voting via the Electronic Voting System**

- 8.1. As said above, a Non-registered Shareholder may vote on the resolutions that are on the agenda also via an Electronic Ballot.
- 8.2. A shareholder in whose favor a share is registered with TASE Member, is entitled to receive from such TASE Member an identifying number and an access code as well as additional information with respect to the Meeting, and after a secure identification process, will be able to vote through the Electronic Voting System. A shareholder voting via the Electronic Ballot is not required to provide the Company with an Ownership Confirmation in the manner specified above.
- 8.3. The Electronic Ballot will be open for voting at the end of the Record Date. Voting via the Electronic Voting System will close **6 hours prior to the time set for the meeting** (i.e., by March 12, 2020 at 09:00), at which time the Electronic Voting System will be closed.
- 8.4. The Electronic Voting may be modified or cancelled up until the Electronic Voting System is locked and may not be modified through the Electronic Voting System after such time. Should a shareholder vote via more than one way, the later vote shall be counted. For this purpose, the vote of a shareholder in person or by proxy shall be deemed to have been cast later than a vote cast by Electronic Ballot.

9. **Position statements and response of the Board**

- 9.1. The deadline for submitting position statements to the Company is **up to ten (10) days prior to the date set for the Meeting.**
- 9.2. The deadline for submitting the board of directors' response to position statements, insofar as shareholders have submitted position statements to board of directors and the board of directors has elected to submit a response to such position statements, is no later than **five (5) days prior to the time set for the Meeting.**

10. **Notice of personal interest**

- 10.1. According to Section 276 of the Companies Law, a shareholder participating in a vote regarding the proposed resolutions on the agenda either in person or by proxy, will notify the Company before casting his vote at the Meeting, or if the vote is by a ballot – on the ballot by an indication on Part B of the ballot in the space designated therefor, if he is considered a controlling shareholder of the Company and/or has personal interest in the approval of the resolutions on the Meeting's agenda, or not, and the description of the relevant personal interest.
- 10.2. The vote of a shareholder who fails to indicate the existence or absence of a personal interest and/or of his being a controlling shareholder of the Company (or shall indicate that he has personal interest but fails to specify the nature of the matter), shall not be counted.
- 10.3. Furthermore, according to the Voting Regulations and according to the directive of the Israel Securities Authority from November 30, 2011, on the issue of disclosure regarding the manner of voting of interested parties, senior office holders and institutional bodies in meetings ("**Directive**"), an interested party, a senior office holder and an institutional body (the "**Voters**") as defined in the Regulations and in the Directive, who are voting at the Meeting on resolutions on the agenda, will provide the Company, within their vote, the details required according to the Regulations and Section 2(b) of the Directive, and if they voted by proxy, then the voter or the proxy shall also provide the details regarding the proxy. In addition, specification shall be provided regarding any relationship between the Voter or the proxy (who does not have a personal interest) and the Company or any of the controlling shareholders or any of the senior office holders, including employment relations, business relations etc., while specifying their nature.

11. Changes in the agenda; the deadline for submission of a request to include an item on the agenda by a shareholder

- 11.1. After the publication of this Report, there may be changes in the agenda, including the addition of an item to the agenda. In such a case, it will be possible to review the latest agenda and position statements in the Company's filings that will be available on the Distribution Website and on the TASE Website.
- 11.2. A shareholder's request under section 66(b) of the Companies Law to include an item in the agenda of the General Meeting shall be furnished to the Company up to seven days after the General Meeting is convened. If such a request is made, the item may be added to the agenda and its details will appear on the Distribution Website. In such a case, the Company will publish a revised summon no later than seven days after the deadline for the submission of a shareholder's request to include an item on the agenda, as stated above.

12. Authority of the Israeli Securities Authority

12.1. In accordance with the Transaction with a Controlling Shareholder Regulations, within twenty one days from the date of the submission of the Report, the Israel Securities Authority, or an employee who has been authorized for this purpose, is authorized to order the Company to provide, within such period of time as it will determine, an explanation, details, information and documents, and also to order the Company to amend the Report in such manner and at such time as it will determine. Should an order be issued to amend the Report as aforementioned, the Israel Securities Authority may order the postponement of the date of the General Meeting as detailed under the Transaction with a Controlling Shareholder Regulations. The Company will submit an amendment pursuant to such order, send it to the shareholders thereof, and will also publish a notice in that matter, in such manner prescribed under the Transaction with a Controlling Shareholder Regulations unless the Israel Securities Authority has ordered otherwise.

13. **Inspection of documents**

- 13.1. A copy of this Report, the documents as specified in Regulation 5 of the Transaction with a Controlling Shareholder Regulations and the proposed resolutions are available for inspection at the Company's Offices by prior telephone coordination with the Company's secretariat, at 972-3-6075555, on Sundays through Thursdays (excluding holiday eves and holidays) between 9:00 and 16:00, until the date of the Meeting, and on the Distribution Website and on the TASE Website.
- 13.2. In addition, the English translation of this Report will also appear on the Company's website at: <http://elron.com>
- 13.3. The representatives of the Company for handling this Report are Adv. Ofer Hanoh and Adv. Ortal Naftalii of the firm of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. whose address is Azrieli Center 1 (the Round Tower, 40th floor), Tel Aviv, Tel. 03-6074510, Fax. 03-6914164.

Part B – Further details regarding Resolution 1.1 on the agenda – Approval of the Compensation Policy

14. **The Compensation Policy approval procedure**

- 14.1. On the 27th of February 2017, the general assembly of the Company approved the Company's compensation policy for its Officers (ref: 2017-01-019806) for a period of three years commencing from January 12, 2017 ("**Previous Compensation Policy**"), following receipt of the approval of the Board of Directors of the Company and the recommendation of the Compensation Committee on the matter. There were no changes to the Previous Compensation Policy from such date.
- 14.2. The proposed Compensation Policy which is attached hereto as **Annex A** is being brought for approval to this Meeting, in accordance with Section 267A of the Companies Law. The proposed Compensation Policy, if

approved, will remain in effect for three years commencing from the date of approval of the shareholders meeting convened hereby.

- 14.3. The Compensation Policy, including its various components, was discussed at the Compensation Committee, and thereafter, the Board of Directors discussed the recommendations of the Compensation Committee relating to the Compensation Policy and approved it. It should be noted that the Compensation Committee and the Board of Directors have examined the exiting terms of office and employment of the Company's Officers in relation to the Compensation Policy presented for approval. The terms of office and employment of the Company's Officers as of the date hereof comply with the principles of the proposed Compensation Policy.
 - 14.4. Within the meetings as aforesaid, the considerations required with respect to the formulation of a Compensation Policy according to the Companies Law, including the criteria specified in the First Schedule A to the Companies Law, parts A (matters which it is mandatory to address in the Compensation Policy) and B (provisions which are mandatory to be determined in Compensation Policy), were reviewed and examined.
 - 14.5. The considerations which guided the Compensation Committee and the Board of Directors in adopting the Compensation Policy included the considerations and matters required by the Companies Law, and among other things, promoting the Company's long-term goals, the Company's work plan and policy from a long-term vision perspective; Creating proper incentives for Officers; the Company's size and nature of its activities; and the contribution of the Officers to achieving the Company's goals and its profits, and all from a long-term vision perspective.
 - 14.6. The members of the Compensation Committee who participated at the committee meeting in which the committee's recommendation for the Board of Directors regarding the Compensation Policy was approved, are: Ehud Rassabi (Chairman and External Director), Lee-Bath Nelson (External Director) and Yehuda Freidenberg (External Director).
 - 14.7. The members of the Board of Directors who participated in the meeting of the Board of Directors in which the Compensation Policy was approved are: Eduardo Elsztain (Chairman), Saul Zang (Vice-Chairman), Gerardo Ariel Tyszberowicz, Amiram Erel, Ehud Rassabi (External Director), Lee-Bath Nelson (External Director), Yehuda Freidenberg (External Director) and Eran Saar.
15. **Alongside the reasons which were presented within the Compensation Policy, the following is the summary of the reasons of the Board of Directors for the approval of the Compensation Policy, after discussing the Compensation Committee's recommendations:**
- 15.1. The Compensation Policy, regulating the terms of office and employment of the Officers of the Company, is designed to allow the

recruitment and retention of high quality managerial manpower in senior executive positions for the long term, which the Company needs for its continued business development and success.

- 15.2. The recommendation to approve the Company's Compensation Policy resulted following examination of regulatory changes which applied after the adoption of the Previous Compensation Policy, from the comprehensive experience from the implementation of the Previous Compensation Policy and from the influence of the developments in the Company's condition.
- 15.3. The proposed Compensation Policy was prepared in view of emphasizing keeping the compensation mechanism simple, so it shall be clear and understandable to the Company, the Officers and shareholders.
- 15.4. The Compensation Policy is intended to strengthen the behavior patterns the Company wishes to encourage and to design the desirable organizational culture of the Company.
- 15.5. The Compensation Policy is intended to keep the proper balance between the Company's organizational strategy, its goals and business plans, as are determined from time to time, and between creating adequate incentives to allow the recruitment and retention of high quality managerial manpower in senior executive positions for the long term, which the Company needs for its continued business development and success.
- 15.6. The considerations which guided the Compensation Committee in determining the policy, are the promotion of the Company's goals, its fields of business, work plan and policy; the creation of appropriate incentives for the Officers of the Company, considering, *inter alia*, the Company's risk management policy; the Company's size (considering, *inter alia*, its equity, scope of assets and the average annual investment in companies); the nature of the Company as a holding company; the strengthening of the identity of interests between the Company's Officers and its shareholders; and with respect to the terms of office and employment which include variable components – the contribution of the Officer to the achievement of the Company's targets and the maximization of its profits over time, all according to the position of the Officer.
- 15.7. As to terms of office and employment which include variable components – the contribution of the Officer to the achievement of the Company's targets and maximization of profits were also considered within the Compensation Policy, all from a long term perspective and according to the position of the Officer. The variable component is intended to compensate the Officer for his achievements and for his contribution to the achievement of the Company's targets in the grant year, and also assists to retain Office holders in the Company.
- 15.8. With respect to the fixed compensation

- 15.8.1. The fixed compensation, including its various components, promotes the retaining of stability and continuity on the Company's Officer's and thus helps to maintain professional, high quality, efficient management.
 - 15.8.2. The Compensation Policy includes caps regarding the fixed compensation. There have been no changes in these caps in comparison to the Previous Compensation Policy.
 - 15.8.3. The authority and responsibilities involved in the position, the education, qualifications, expertise, professional experience, achievements of the Officer, previous agreements signed with the Officer (if any) and agreements which were signed with the predecessor of the Officer in the position and with other Officers of the Company will be also taken into account in determining the fixed compensation for each of the Officers.
 - 15.8.4. The directors' compensation shall be in accordance with the Companies Regulations (Rules regarding compensation and expenses to an external director), 5760-2000.
- 15.9. With respect to the annual bonus component
- 15.9.1. The annual bonus component will be based on several indicators, while creating proper balance between indicators based on quantifiable criteria, and indicators which are relevant to the assessment of the Officer's performance.
 - 15.9.2. The Compensation Policy includes proportional bonus caps for the Company's Officers.
 - 15.9.3. The annual bonus will be based on several quantifiable targets. The Compensation Policy allows the setting of the targets every year for their adaptation to the Company's changing needs and its work plan. The Company's performance and the performance of the group companies will both be reflected within the targets, in view of the Company's clear nature as an operating holding company, whose management is involved in the activity of most of the group companies.
 - 15.9.4. Another component of the annual bonus is the evaluation of the performance of the Officer by the Compensation Committee and the Board of Directors. This component provides the Compensation Committee and the Board of Directors with a tool through which they can express their opinion regarding the performance of the Officer during the bonus year.
 - 15.9.5. The Compensation Policy includes personal bonus caps for each of the Officers at the Company.

- 15.9.6. The ratio between the fixed component and the variable component in the terms of employment of the Officers, as expressed in the caps determined for the various compensation components, is proportionate and balanced.
- 15.9.7. The Compensation Policy includes provisions for the return of variable compensation paid based on data which transpired to be incorrect and are restated in the financial statements.
- 15.10. With respect to the equity compensation component –
- 15.10.1. The Compensation Policy includes the possibility to grant equity compensation, in order to increase the identity of interests between the Officers and the shareholders, and for the purpose of strengthening of the establishment of the basis of compensation on a long-term component. Accordingly, there is also an option to grant Restricted Share Units (RSUs) and/or Restricted Shares (in addition to the option to grant options for ordinary shares of the Company, which was included in the previous policy)
- 15.10.2. The equity compensation component is based, *inter alia*, on a component of the yield on the Company's share. The yield on the Company's share component allows the compensation of the Officers depending on the share's performance. When there is high correlation between the Company's performance and the share performance, this component of the bonus increases the identity of interests between the Officers and the shareholders. This is prominent mainly in a company which operates as an operating holding company in the technological field.
- 15.10.3. A cap has been determined for the equity compensation on date of grant, which is intended to retain the maximum ratio between the fixed component and the variable component, which was determined in the Compensation Policy.
- 15.10.4. The comprehensive vesting period of the equity compensation will be spread over a period which will be no less than three years, and a maximum exercise period has also been determined.
- 15.10.5. The grant of the equity compensation serves the benefit of the Company. The integration of the equity compensation components will constitute a managerial tool to recruit and retain its Officers for the long term; to correlate between the Officer's compensation and creation of value to the Company's shareholders and to incentivize the Officer to promote the Company and its shareholders, from a long term perspective.
- 15.11. With respect to components of compensation for termination of employment

- 15.11.1. The Compensation Policy determines caps for the payment components with respect to advance notice and the adjustment/retirement bonus. Furthermore, the fixing of these components also takes into account the terms of office and employment of the Officers and the period of their employment, position and responsibility.
- 15.11.2. The Compensation Committee and the Board of Directors did not find that there is room to subject such compensation to the performance of the Company, since the purposes underlying the grant thereof are different from the desire to compensate for the Company's results or the performance of the officer, and also due to the relatively narrow scope of the components of compensation for termination of employment included in the Compensation Policy. Moreover, proper expression of compensation depending on performance (including in the event of termination of employment) is given within the provisions of the policy contemplating the components of the bonuses.
- 15.11.3. However, the period of employment of the Officer, his terms of employment during that period, special non-competition undertaking and the circumstances of the retirement, could be considered, *inter alia*, within the considerations for the grant of an adjustment/retirement bonus.
- 15.12. The Compensation Policy includes provisions regarding insurance, indemnification and exemption, according to common practice in public companies.
- 15.13. The process of approving the Compensation Policy included reference to the difference between the compensation paid to the Officers of the Company and the compensation paid to employees, and the review and discussion on the matter were reflected in the Compensation Policy.
- 15.14. The Compensation Policy includes a possibility to reduce the variable components according to the Board's discretion for special reasons.
- 15.15. The proposed compensation policy supplements and complements the Company's Previous Compensation Policy on issues and subjects in respect of which it transpired, with the passing of time since the adoption of the Previous Compensation Policy, that they require adaptation as aforesaid, including due to updates to the provisions of the law or to what is customary and accepted in the market.
- 15.16. The terms of the Compensation Policy are reasonable and standard in the circumstances and considering the responsibility imposed on the Officers of the Company and the Company's scope of business.

15.17. In view of all of the aforesaid and in view of the data before the Compensation Committee and the Board of Directors, the Compensation Policy is appropriate and reasonable in the circumstances

16. **The Main Changes between the Proposed Compensation Policy and the Previous Compensation Policy and the manner of implementation of the Previous Compensation Policy**

16.1. Update on the application on the subsidiaries (Section 2.1 of the proposed Compensation Policy) – Although the Company is not obligated to apply the Compensation Policy on subsidiaries, due to the fact that the Company’s Officers may serve as Officers also in subsidiaries, the Company will apply the Proposed Compensation Policy on the Officers of subsidiaries, provided that those Officers are also serving as Officers in the Company.

16.2. The Fixed Component (Section 4 of the proposed Compensation Policy) – Within the framework of the Proposed Compensation Policy, there is a possibility to make a 10% deviation from the caps pertaining to the fixed component listed in the policy, which deviation shall not be considered a deviation from the Compensation Policy provisions.

16.3. Annual Bonus – Bonus Cap (Section 5.4 of the proposed policy) – A change has been made to the definition of the grant caps, such that they shall be measured in gross salary terms and not in cost terms (as determined in the Previous Compensation Policy).

16.4. In addition, the section pertaining to the yield on the Company’s share component was relocated from the annual bonus section to the equity variable component section.

16.5. The Equity Variable Component (Section 7 of the proposed Compensation Policy) –

16.5.1. As aforementioned, the grant component which is based on the “share yield index” was relocated from the annual grant fixed component” section under the previous policy, to the “equity variable component” section under the proposed Compensation Policy.

16.5.2. In accordance with the Previous Compensation Policy, the equity return component was granted for an annual share yield between 10% and 20%. The component cap was approximately half of the annual grant cap plus a one time salary cost (7 times salary cost for the CEO, 6 times salary cost for a Vice President).

16.5.3. In accordance with the Previous Compensation Policy, it was possible to grant options valued as the share yield component cap (as detailed in Section 16.5.2 above), whereby for the year in which options were granted to an officer, said officer was not

eligible to a cash grant for the share yield component for the same year.

- 16.5.4. There is no significant change in the proposed policy in relation to said compensation mechanism (meaning that equity compensation may be granted by actual grant of equity components or by cash compensation deriving from the share performance in accordance with the “share yield index”, as detailed hereinabove). The cash compensation is the default in the event no securities were allocated for a certain period. However, if the Company selects an actual allocation, a possibility was added to grant other/additional equity components other than the options (such as restricted shares).
- 16.5.5. A benefit value cap lower than the equity component was determined - in relation to the CEO – on 9 times the gross monthly salary in lieu of 7 times “salary cost” (10.5 times the gross salary), and, in relation to a Vice President (9 times the gross monthly salary) in lieu of 6 times salary cost.
- 16.5.6. Provisions pertaining to equity compensation also pursuant to the plans of the Company’s controlled companies were determined.
- 16.5.7. Share return index grant component (only if the equity component shall not be granted as aforesaid) –
 - (a) Extra Performances – the eligibility for additional one time monthly salary cost payment (1.5 times the gross salary) was cancelled in the event that the share return is higher than 20%, as was in the Previous Compensation Policy.
 - (b) It was determined that reaching the “minimum threshold” (meaning, a 10% share return) will entitle 40% of this component’s grant.
- 16.6. Special Bonus (Section 6 of the proposed Compensation Policy) - a new possibility for payment of special bonus was added, in addition to the “current” annual bonus, which payment is conditioned upon the consummation of a significant transaction (a “special event”), in an amount of up to 6 (gross) monthly salaries.
- 16.7. The ratio between the variable component and the total compensation cost (Section 8 of the proposed Compensation Policy) - the maximum ratio between the variable component and the total annual cost was updated.
- 16.8. Adjustment/Retirement Bonus (Section 10 of the proposed Compensation Policy) – the cap was updated from 6 times the monthly salary cost to 4 to 8 times the monthly salary for the CEO (dependent on

his number of years in the Company) and 3 to 6 times the monthly salary for a Vice President (dependent on his number of years in the Company).

- 16.9. Insignificant change in the terms of employment (Section 14 of the proposed Compensation Policy) – the significance threshold for the purpose of the Compensation Committee’s (in relation to the CEO) or the Compensation Committee’s and/or the CEO’s (in relation to the Officers subordinate to the CEO) authority to approve a change in the terms of employment approved in accordance with the proposed policy for up to 10% (in lieu of 5% according to the Previous Compensation Policy) and up to 15% for the entire policy’s term, in accordance with the Previous Compensation Policy, was updated.

17. Manner of Implementation of Previous Compensation Policy

- 17.1. All the employment and compensation agreements of the Officers of the Company (CEO and Vice-Presidents) which are in effect are consistent with the Previous Compensation Policy and all payments to the Officers commencing from the date of approval of the Previous Compensation Policy were made in accordance with its provisions.
- 17.2. For 2018, the cost of the terms of the office and employment of the CEO of the Company constituted approximately 58% of the cap of the terms of office and employment defined in the policy, with the fixed compensation for the CEO was being approximately 89% of the fixed compensation limit in the policy, and the annual grant being approximately 27% of the cap of the annual bonus set forth in the policy.

18. The ratio between the terms of office and the employment of the Officers and the salaries of the Company's employees¹

- 18.1. The ratio between the cost of the terms of the office and employment of the CEO of the Company and the average wage cost of an employee in the Company and the cost of the median wage in the Company was approximately 1:3.2 and approximately 1:5.3 respectively
- 18.2. The ratio of the terms and conditions of the office and employment of all the Company's Officers and the average wage cost of an employee in the Company and the cost of median wage in the Company was approximately 1:2.0 and approximately 1:3.6 respectively.
- 18.3. After reviewing the terms of office and employment of the said Officers and the compensation paid to the Company's employees, the Compensation Committee and the Board of Directors believe that the gaps between the terms of the office and employment paid to the Officers and the terms of the office and employment paid to the employees of the Company as of today, does not adversely affect the work relations in the Company.

¹ The cost of employment includes all employer costs, including salary and ancillaries, social security contributions, car expenses and telephone

19. **Identity of the controlling shareholder and the rights conferring control on him**

- 19.1. DIC is deemed as a controlling shareholder of the Company by virtue of DIC's holding as of the date of this Report of 61.06% of the Company's issued share capital and the voting rights in the Company (and in approximately 58.66% of the rights in full dilution). DIC is a public company whose shares are traded on the Tel Aviv Stock Exchange.
- 19.2. As the Company has been informed, the controlling shareholder of DIC as of the date of this Report is Mr. Eduardo Elsztain, through Dolphin IL Investments Ltd. (hereinafter: "**Dolphin IL**") a company incorporated in Israel, wholly owned by Dolphin Netherlands B.V ("**Dolphin Holland**") which holds 82.26% of the issued share capital of DIC and 1.46% of DIC's voting rights are held by Tyrus S. A, an Uruguayan company, which is wholly owned by Irsa Inversiones Y Representaciones Sociedad Anonima, which is a foreign corporation. Dolphin Holland and Irsa are companies that are indirectly controlled by Mr. Eduardo Elsztain. Thus, Dolphin IL may be considered, for the sake of caution, to have a personal interest in the approval of the aforementioned resolution due to its being a controlling shareholder of DIC and the Company.

20. **Names of the directors with personal interest and the nature of their personal interest**

All of the board members might have personal interest deriving from the Compensation Policy determining the provisions regarding the terms of office and employment of directors of the Company.

Part C – Additional Details regarding Proposal No. 1.2 on the Agenda-

21. **Description of the Principles of the resolution:**

- 21.1. On February 27, 2017, the general assembly approved the grant of indemnification letters to Officers of the Company, who are serving or who will serve in such capacity from time to time, who and/or their relatives are controlling shareholders at the Company and/or which the controlling shareholders in the Company might have personal interest in the grant thereof, due to their actions in the capacity of their office at the Company and for their actions in the capacity of their office upon the Company's request as officers in another company, in which the Company holds shares, directly or indirectly, or in which the Company has any interest (ref: 2017-01-016902 and immediate report on the results of the shareholders meeting to approve a transaction with a controlling shareholder as of February 27, 2017 (ref: 2017-01-019806).
- 21.2. The letters of indemnification granted to Officers who are controlling shareholders and/or their relatives, shall be in effect for three years, commencing from the date of approval by the General Meeting of shareholders as aforementioned (meaning, until February 2020).

- 21.3. It is clarified that the foregoing does not derogate from the ability of the Company to grant other or additional indemnity undertakings including to those Officers who are not Controlling Shareholders and/or their relatives and who are not Officers of the Company with respect to whom the Controlling Shareholders may be considered to have a personal interest in the provision of indemnification as well as the General Counsel and Corporate Secretary. Moreover, it is clarified that the aforementioned does not derogate from any right of an Officer in accordance with the indemnification undertaking given in the past.
- 21.4. It is proposed to approve the re-grant of indemnification letters to the Directors and Officers of the Company, who are, and/or their relatives are, Controlling Shareholders, as they may be from time to time, serving or who will serve as Officers of the Company from time to time, as well as to Officers in the Company with respect to whom the Controlling Shareholders may be considered to have a personal interest in the provision of indemnification, who are serving or who will serve as Officers of the Company from time to time, for their actions (even prior to the granting of the indemnification letter) in the capacity of their office at the Company and for their actions in the capacity of their office upon the Company's request, as officers in another Company, in which the Company holds shares, directly or indirectly, or that the Company has any interest in, under the identical terms of the current indemnification letter existing in the Company and attached as **Annex B** hereto, for three years commencing from the date of approval of the shareholders Meeting convened hereby.

22. Names of the controlling shareholders who have personal interest in the resolution and the nature of their personal interest

To the best of the Company's knowledge, those who might be deemed as controlling shareholders who have personal interest (in the meaning of such terms in the Companies Law) in the approval of the resolution set forth in Section 1.2 above are:

- 22.1. DIC is deemed as a controlling shareholder in the Company by virtue of DIC's holdings as of the date of this Report of 61.06% of the Company's issued share capital and the voting rights in the Company (and in approximately 58.66% of the rights in full dilution). DIC is a public company whose shares are traded on the Tel Aviv Stock Exchange and has personal interest due to the fact that the indemnification letters will be given to directors in the Company who are Controlling Shareholders and/or officers of DIC.
- 22.2. Dolphin IL is considered a controlling shareholder of the Company, by virtue of its holdings in DIC. Therefore, Dolphin IL may be considered to have a personal interest in approving the aforementioned resolution because of it being a controlling shareholder of DIC and the Company, as well as the fact that the letters of indemnification will be given to the directors in the Company who are controlling shareholders and/or officers of DIC.

22.3. As the Company has been informed, the controlling shareholder of DIC as of the date of this Report is Mr. Eduardo Elsztain, through Dolphin IL Investments Ltd. (hereinafter: "Dolphin IL") a company incorporated in Israel, wholly owned by Dolphin Netherlands B.V ("Dolphin Holland") which holds 82.26% of the issued share capital of DIC and 1.46% of DIC's voting rights are held by Tyrus S. A, an Uruguayan corporation, which is wholly owned by Irsa Inversiones Y Representaciones Sociedad Anonima", which is a foreign enterprise. Dolphin Holland and Irsa are companies that are indirectly controlled by Mr. Eduardo Elsztain. Thus, Dolphin IL may be considered, for the sake of caution, to have a personal interest in the approval of the aforementioned resolution due to its being a controlling shareholder of DIC and the Company

23. **The manner in which the consideration was determined**

The provisions of the indemnification letter are adapted to the prevailing law and it is an indemnification letter which is identical to the current indemnification letter which was approved by the general meeting with respect to all of the Officers of the Company. The indemnification letter is consistent with the Company's Compensation Policy.

24. **The required approvals**

The required approvals are the approval of the Compensation Committee and the Board of Directors which were given on January 27, 2020 and on February 3, 2020 the approval of the general assembly convened hereunder, by a special majority as specified above.

25. **Names of the directors who participated in the resolution at the Compensation Committee and the Board of Directors**

(A) Ehud Rassabi (Chairman and External Director), Yehuda Freidenberg (External Director) and Lee-Bath Nelson (External Director) participated in the resolution of the Compensation Committee which approved the grant of the indemnification letter.

(B) Ehud Rassabi (External Director), Yehuda Freidenberg (External Director) and Lee-Bath Nelson (External Director) participated in the resolution of the Board of Directors which approved the grant of the indemnification letter.

26. **Names of the directors who have personal interest in the resolution and the nature of their personal interest:**

The following directors might be deemed as having personal interest in the approval of the said resolution: Messrs. Eduardo Elsztain (Chairman), Saul Zang (Vice-Chairman), Gerardo Tyszberowicz and Eran Saar. The personal interest of the said directors derives from the fact that the indemnification letters will be granted to them. For the sake of caution, Mr. Amiram Erel has announced that he has a personal interest in approving the decision due to his relationship with the Controlling Shareholder.

27. **Similar transactions in the last two years or which are still effective on the date of the board's approval**

As aforesaid, the indemnification letter proposed to be granted is identical to the current indemnification letter which was granted according to past resolutions to the remaining directors and other officers serving at the Company.

28. **The reasons of the Compensation Committee and the Board of Directors for the resolution to grant the indemnification letters to the controlling shareholders**

- 28.1. Considering the scope of the responsibility and duties imposed on the directors at the Company, including the controlling shareholders, their relatives and/or anyone that the controlling shareholders have personal interest in the granting indemnification letters to – and considering the exposure involved in their activities, it is appropriate that the Company shall grant them indemnification letters within a framework permitted by law.
- 28.2. The grant of an indemnification letter is common practice, consistent with the law and was intended to allow directors and officers to fulfill their duties with faith and while making business considerations for the benefit of the Company and promotion of its business.
- 28.3. Considering the exposures involved in the conduct of the directors and officers of the Company, the grant of a letter of indemnification by the Company, suitable for the Company's exposures and operations, is appropriate.
- 28.4. The language of the indemnification letter settles with the provisions of the applicable law including the limitations set forth therein.
- 28.5. The undertaking to indemnify for a monetary liability in favor of another person according to the indemnification letter is with respect to events which in the opinion of the Board of Directors could have been expected in view of the Company's actual activity. Also, the terms of the indemnification letter and the maximum indemnification amount for such liability, as specified in the indemnification letter, are fair and reasonable in the circumstances of the matter, considering the size, type, scope, complexity and other characteristics of the Company's business sectors, and considering the extensive responsibility and the significant liabilities imposed on the Officers and the directors.
- 28.6. This indemnification letter identical to the current indemnification letter which is granted to the other Officers of the Company.
- 28.7. The indemnification letter is consistent with the Company's Compensation Policy.

28.8. The indemnification letter is in the best interests of the Company and does not constitute distribution in the meaning of such term in the Companies Law.

29. **The powers of the Israel Securities Authority**

According to Regulation 10 of the Controlling Shareholders Regulations, the Israel Securities Authority or an employee which it had authorized therefor, may within 21 days from the day of filing this Report, order the Company to provide, within a timeframe which it shall set, an explanation, details, information and documents regarding the engagement contemplated in this Report, and to order the Company to amend this Report in the manner and on the date that it will determine; in such case, the Authority may order the adjournment of the date of the general meeting to a date which will occur not before the lapse of three business days and no later than 35 days from the date of publication of the amendment to this Report. Should the Company be required to amend this Report as aforesaid, the Company will file the amendment in the manner set forth in the Transaction with a Controlling Shareholder Regulations, send it to all of its shareholders to whom this Report had been sent and publish a notice on this matter in the manner set forth in the Transaction with a Controlling Shareholder Regulations, all unless the Authority had instructed otherwise. Should an instruction be given regarding the adjournment of the date of the general meeting, the Company will announce the instruction in an immediate report.

The following annexes are attached to this Report:

Annex A – The Company's suggested Compensation Policy

Annex B – Language of an indemnification letter

Annex C – Ballot

Sincerely,
Elron Electronic Industries Ltd.

Identity of the persons signing the Report in the name of the Company and their position:

Ari Bronshtein, CEO

Yaron Elad, CFO

Elron Electronic Industries Ltd.

(the “Company”)

Compensation Policy

1. Definitions

The definitions and terms in this Compensation Policy shall bear the meaning determined therefor in the Companies Law, unless defined otherwise in the Compensation Policy.

The following terms in the Compensation Policy shall bear the following meaning, unless explicitly stated otherwise:

- | | |
|--|--|
| “Company” | - Elron Electronic Industries Ltd.; |
| “Board of Directors” or “Board” | - The Company’s board of directors; |
| “Committee” or “Compensation Committee” | - The Company’s compensation committee; |
| “Companies Law” | - The Companies Law, 5759-1999, and the regulations thereunder; |
| “Compensation Policy” | - A policy regarding Terms of Office and Employment of Officers; |
| “Control” | As defined in the Companies Law, unless determined otherwise |
| “Officer” | - A director, CEO, Deputy CEO, Vice-President, and any and all other officers as defined in the Companies Law, insofar as will be appointed in the Company, and/or a manager who will be appointed and defined as an Officer with regard to the Compensation Policy by the Company’s Board of Directors; |
| “Monthly Salary” or “Monthly Pay” or “Gross Salary” | - The monthly salary is the monthly salary for the purpose of social benefits (i.e. excluding ancillary benefits, social benefits on the part of the Company, bonuses, equity compensation and additional benefits); |
| “Monthly Cost of Salary” | - The cost to the Company in respect of any payment for the employment of an Officer per month which includes the Monthly Salary, social |

benefits, car and expenses of use thereof, fixed benefits and payments according to law, and any other benefit or payment, with the exception of bonuses and other variable compensation;

- “Company Group”** - The Company and/or subsidiaries and/or affiliated companies and/or group companies and/or a controlling shareholder of the Company.
- “Bonus Year”** - The calendar year in respect of which the bonus is paid;
- “Terms of Office and Employment”** - According to the definition of the term in the Companies Law.

2. General

- 2.1. The purpose of this document is to describe and specify the Company’s policy with respect to compensation of the Company’s Officers, the components thereof and the manner of determination thereof, *inter alia* in accordance with the provisions of the Companies Law. The proposed compensation policy is intended to assist with achievement of goals and the work plans of the Company, in the short-term, the mid-term and the long-term. Although the Company is not obligated to apply the Compensation Policy to subsidiaries, since the Company’s Officers may hold office as officers also of the subsidiaries, the Company is applying the Compensation Policy as aforesaid to officers of the subsidiaries, provided that such officers hold office as Officers also of the Company. For the avoidance of doubt, the terms of this Compensation Policy shall not apply to persons who are not the Officers of the Company who shall hold office (insofar as shall hold office) as officers of the subsidiaries, *inter alia* since the private companies of the Company are also startup companies, the compensation structure of which is relevant to companies of this type. The Company may approve that the Officers be employed also at a subsidiary and receive the compensation in whole and/or in part also from a subsidiary, including from RDC Rafael Development Corporation Ltd. (“**RDC**”)
- 2.2. The Company is an operating holding company which focuses on the building of technology companies that are in various stages of development. Consequently, the Company’s financial results may vary significantly from one year to the next and are significantly dependent on its investments in the group companies and on the disposition of its holdings. In view of the fact that the Company’s investments are in companies which are generally at the research and development stage and consequently record current losses due to R&D expenses, the Company recognizes its share in the losses of the group companies, in many cases irrespective of the success at the development stages and

of the business and clinical progress of the group companies, and will therefore usually record losses in the years in which no significant disposition transactions are performed.

- 2.3. The principles of the policy were intended to determine rational, proper and fair compensation for the Company's Officers, which will ensure that the Officers' compensation is consistent with the best interests of the Company and its organization-wide strategy, and simultaneously will lead to enhancement of the Officers' sense of identification with the Company and its activity, will enhance their satisfaction and motivation and lead to long-term retention of the high-quality Officers of the Company.
- 2.4. The considerations that guided the Compensation Committee and the Board of Directors of the Company upon determining the policy are promotion of the Company's goals, its work plan and its policy from a long-term perspective; the importance of determining performance-based compensation and creating proper incentives for the Company's Officers, considering *inter alia* the Company's risk management policy; the Company's size (considering, *inter alia*, its equity, the amount of its assets and the amount of an average annual investment in companies); the character of the Company as a holding company as specified above and the complexity of its activity; reinforcement of the identity of the interests of the Company's Officers and its shareholders; and with regard to Terms of Office and Employment which include variable components, the Officer's contribution to achievement of the Company's targets and to maximization of its profits over time, all according to the Officer's position.
- 2.5. Performance-based compensation shall reflect the Officer's contribution to achievement of the Company's targets and to maximization of its profits, from a long-term perspective. The variable component shall be determined in conformance with the Company's performance and the personal performance of the Officer versus the targets that were defined for him in the framework of fulfillment of his duties according to his responsibilities, and in accordance with the Company's discretion. In this framework, a bonus that is not based on meeting measurable qualitative targets or quantitative targets may be granted. In accordance with the Company's Compensation Policy, significant weight is given to the meeting of targets which reflect the Company's goals and/or the Company's strategy, and to the yield for the Company's shareholders.
- 2.6. The Company's targets express the success of the Company as a whole in realizing its plans, the Officers' contribution to the Company's success, the desire to maximize value for the shareholders, and the Company's wish to compensate Officers for meeting such targets. The targets shall include measurable targets which reflect the Company's goals and its strategy in the short-term and long-term in order to create an identity of interests between the Company, its shareholders and the

Officers, and promotion of the Company's goals and its strategy as aforesaid.

3. **The Officer Compensation Concept**

3.1. General –

Upon determining and examining the compensation terms and conditions of the Company's Officers, the parameters listed below will, *inter alia*, be taken into account:

3.1.1 The Officer's education, qualifications, expertise, professional experience, and achievements.

3.1.2 The nature of the position and the level of responsibility and the authorities imposed on the Officer due to his position.

3.1.3 The Officer's contribution to the Company's performance, profits and stability, and promotion of the Company's goals, its work plan and its policy from a long-term perspective.

3.1.4 The Company's need to achieve long-term retention of the Officer in view of his skill, knowledge and/or unique expertise.

3.1.5 Previous agreements that were signed with the Officer (if any), and the terms of employment of the Officer who preceded him in the position.

3.1.6 The terms of employment that are customary at the Company for other Officers, considering their rank and responsibilities.

3.2 When the Company comes to recruit or appoint a new Officer, preference will be given to the fact that each Officer has achievements and professional experience in the field of the intended position.

3.3 The overall compensation structure for the Officer, which includes Monthly Salary, social and related benefits and variable components, will be determined, *inter alia*, within the compensation ranges specified below, based on the parameters specified above, and while considering the existing compensation conditions of other Officers of the group, and the accepted compensation conditions for officers in similar positions at public (and private) companies with a similar market value and/or characteristics and size of operations, which engage in sectors that are as close as possible to the operating sectors of the Company. Such a comparison will be made based on data that are publicly released and/or based on an external research study on the issue, as needed, insofar as the information is available and in the opinion of the Company, is relevant in the circumstances.

4. **The Fixed Component**

This component is intended to compensate the Officer for performance of the position at the Company and for performance of the position's ongoing tasks on a daily basis. In addition, this component is intended to give fair compensation to the Officers and to retain high-quality Officers who are suited to the Company's goals.

- 4.1. Monthly Pay (Gross Salary) – the Monthly Pay shall not deviate from the caps specified below:

Rank	Monthly Pay cap (gross)
CEO of the Company	ILS 120 thousand
Another Officer subject to to the CEO	ILS 90 thousand

- 4.2. The maximum fixed salary for the CEO and for another Officer of the Company is based on a full-time position. In a case where the Officer is employed on a part-time basis, the maximum salary component stated in the table will be adjusted to the actual scope of the position.

- 4.3. The Company shall be entitled to link the Officer's fixed component to the consumer price index (including linkage of the said cap amounts). The Company may determine that the fixed component shall not be reduced due to a decrease in the index, but a decrease in the index shall be deducted from any future increase.

- 4.4. A deviation of up to 10% above the gross salary cap as aforesaid (net of the linkage component) shall not be deemed as a deviation from the provisions of the Compensation Policy.

4.5. **Reimbursement of Expenses:**

The Officers shall be entitled to reimbursement of expenses that shall actually be incurred in the context of their position, including expenses for participation in meetings, travel expenses in Israel and overseas, per diem expenses (in and outside of Israel, including payment for housing and accommodation), newspapers, hospitality expenses, fees for membership of professional organizations, professional literature, against presentation of receipts, all according to the Company's procedures.

4.6. **Social and Related Benefits:**

The Company shall be entitled to grant the Officers social conditions and benefits as determined in the law and, in addition thereto, as is customary at the Company, including:

- 4.6.1. Provisions for provident payments and severance pay¹; work disability insurance; a study fund; leave and redemption thereof; sick leave; recreation pay.
- 4.6.2. Benefits that are ancillary to the salary as is customary for Officers in similar positions, including through payment of reimbursement of their expenses (such as: car, landline phone and mobile phone, laptop computer, internet connection, subscription to a daily newspaper, comprehensive medical assessment, etc. (including gross-up of benefit attribution value for tax purposes of these components, insofar as required and according to the Company's determination)) in accordance with the Company's procedures.

5. **Variable Compensation – Annual Bonus**

- 5.1. The Company shall be entitled to grant variable compensation to the Officer, in accordance with the principles specified in Sections 2 and 3 above.
- 5.2. The goal of the performance-dependent cash variable compensation is to encourage the Officers to act for the achievement of the Company's goals and targets, while creating an identity of interests between the Officers, the Company and its shareholders. Accordingly, the Officers of the Company will be entitled to an annual bonus according to measurable criteria ("**Measurable Component**"), and non-measurable qualitative criteria ("**Qualitative Component**" or "**Discretionary Component**"), all in accordance with the principles specified below (collectively: the "**Annual Bonus**").
- 5.3. Threshold conditions – the Company shall be entitled to grant an Annual Bonus to Officers in respect of the Measurable Component, as specified in Section 5.5.1 below, for a Bonus Year, subject to the following threshold conditions:
- 5.3.1. The Company met its financial liabilities in the Bonus Year.
- 5.3.2. The Company's financial statements do not include a "going concern" qualification for the Company.
- 5.4. Bonus cap – the entitlement of the Company's Officers to the Annual Bonus in cash will be subject to the following caps:

Rank	Annual cap (in terms of number of salaries, gross)
CEO	9

¹ In accordance with the provisions of the law, including the possibility of release of money accrued in severance pay funds in any case of conclusion of employment, or pursuant to Section 14 of the Severance Pay Law, in accordance with an agreement with the employee, and in accordance with the accepted practice in the Company.

Another Officer who reports to the CEO	7.5
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5.5. The Annual Bonus components – the Annual Bonus shall comprise the following components:

5.5.1. Measurable targets relating to the performance of the Company and the group companies

5.5.1.1. This component of the Annual Bonus for each Officer shall be calculated according to the meeting of at least two measurable targets by the Company, the group companies or the Officer, such as: meeting the budget, sales turnover, gross profit, operating profit, EBITDA or net profit, performance of investments in new companies, performance of transactions for disposition of the Company's investments, completion of development milestones, obtaining regulatory approvals, submission or receipt of FDA approval by one of the companies, recruitment of a given number of patients for a trial, etc.

5.5.1.2. The targets for each Officer or for all of the Officers as a whole (except with respect to the CEO) shall be recommended by the CEO and approved by the Compensation Committee and the Board of Directors. The targets with respect to the CEO shall be approved by the Compensation Committee and the Board of Directors close in time to the beginning of the Bonus Year, and may be similar to those determined with respect to the other Officers.

5.5.1.3. Subject to the aforementioned, the Company's Board of Directors, after receiving the Compensation Committee's recommendation, will determine annually, close in time to the Bonus Year, the components of the targets, their weight in the formula of the bonus out of the bonus cap, the range of percentage compliance with the targets, including the possibility of determining a minimum and a maximum standard, and the scope of eligibility for the bonus in relation to the percentage range of compliance with the targets and the time required to comply with the various targets. Partial compliance with a particular target may result in the granting of a partial bonus for such target, subject to the minimum standard determined, to the extent determined, while results reflecting excessive performance for a particular target, as applicable, may result in a bonus that exceeds the component

attributed to the aforementioned target (subject to the total bonus cap in section 5.4). To the extent weights are not determined for each target, each target shall carry an equal weight.

5.5.2. Discretionary bonus component

This component of the Annual Bonus shall be based on an evaluation in respect of performance of the Officer's duties and his performance in the Bonus Year, and shall be granted to an Officer of the Company based on the recommendation of the CEO and with the approval of the Compensation Committee and the Board of Directors of the Company, and with respect to the CEO – with the approval of the Compensation Committee and the Board of Directors of the Company. In any event, the discretionary component of the Annual Bonus shall not exceed 3 Monthly Salaries, and the granting thereof shall be subject to the Annual Bonus cap stated in Section 5.4 above.

- 5.6. Timing of payment of the Annual Bonus – The Annual Bonus shall be paid to the Officers entitled to a bonus from the Company with respect to each calendar year of their employment period, no later than the date of the first salary due following the date of approval of the Company's consolidated financial statements for the same calendar year. Notwithstanding the aforesaid, for the component of the bonus that depends on measurable objectives relating to the performance of the Company and the group companies, the Compensation Committee is entitled to determine that 70% of the bonus eligibility for this component will be paid at the same time (i.e., the first paycheck payment after the approval of the Company's consolidated financial statements for the same Calendar year) and the remaining 30% will be paid after the Company's distributed consolidated financial statements for the year following the relevant calendar year and only if the Company meets the specified threshold conditions, in the relevant calendar year and the successor calendar year, listed in Section 5.3 above.
- 5.7. Denial of bonuses – If the office of any of the Officers shall end in circumstances in which his right to severance pay may be denied in the case of dismissal, his entitlement to an Annual Bonus and to any parts of an Annual Bonus not yet paid to him, shall be denied. In addition, the Company's Board of Directors will be authorized to cancel payment of the bonus or part thereof to a certain Officer in cases of the Officer's involvement in embezzlement, fraud and/or improper governance.
- 5.8. Reduction of bonuses – The Company's Board of Directors, upon the recommendation of the Compensation Committee, may reduce the bonus amount by up to 30%, considering the examination of the reasonableness of the bonus that was received as a result of the

meeting of the targets, the Officer's contribution to the achievement thereof and the Company's financial and business condition.

- 5.9. Calculation of bonuses in the case of partial employment during the Bonus Year – In a case where the employment relationship between the Officer and the Company ends in the course of the Bonus Year after March 31, or in a case where an Officer began his employment in the course of the Bonus Year and shall have completed at least three months of employment, the Annual Bonus amount shall be calculated according to this Compensation Policy at the end of the calendar year, while it is possible to determine that the targets that were fixed will be amended and calculated proportionately according to the period of the Officer's employment in part of such year, as such may be relevant, and the Officer shall be entitled to the portion of the Annual Bonus proportionately to the period of his employment out of the year.
- 5.10. Publication in the Annual Report – Each year (if and insofar as in such year an Annual Bonus was granted to the Company's CEO according to this section) the Company shall publish in the annual report the measurable targets that were set by the Board of Directors for the CEO for the previous Bonus Year.

6. Special Bonus

- 6.1. The Company's Board of Directors, upon the recommendation of the Compensation Committee, may approve payment of a one-time bonus to an Officer due to his considerable contribution to the leading and closing of a significant transaction for the Company ("**Special Event**"). The amount of the special bonus upon the occurrence of a special event as aforesaid shall not exceed 6 Gross Salaries. For this purpose, the following shall be deemed as a special event: (1) a sale and/or disposition and/or merger of holdings of the Company and/or RDC in a group company (or its operations, as the case may be) at a value that is at least 3 times the total and nominal aggregate investment that was made in the group company by the Company and/or by RDC and a minimum gross transaction amount (the Company's or RDC's portion of at least \$10 million, or (2) special instances of transactions which the Compensation Committee and the Board of Directors determined that there was an extraordinary contribution by an Officer.

7. Variable Equity Component

- 7.1. In the period of the Compensation Policy, the Company will be entitled to approve or act according to plans for the granting of equity compensation to Officers. The equity compensation may be granted in restricted stock units (RSU) and/or restricted stock and/or a share-based instrument and/or phantom options or options exercisable for shares of the Company, or a combination thereof, the allotment and vesting of which will be contingent on the provisions specified below and/or in any other arrangement, in the context of a plan pursuant to Section 102 of the Income Tax Ordinance or any provision that shall

substitute or modify it (on a capital or ordinary track) or in any other plan (whether with or without a trustee). The Compensation Committee and the Board of Directors are entitled to determine the minimum conditions for the release of the restrictions of restricted stock units (RSU) and/or restricted stock including at least the minimum conditions set forth in Section 5.3

7.2. The principles stated in this policy relating to the variable equity component reflect the main terms of the equity compensation of the Company's Officers. The other provisions pertaining to the allotment of the equity compensation will be determined in the compensation terms and conditions or in the equity compensation plan, including provisions regarding conditions with respect to entitlement to dividends and the vote of shares that are included in the equity compensation; accepted adjustments (including by way of changing the allotted quantity, changing the exercise price, as the case may be, compensation in cash, etc.), which include adjustments in respect of a dividend, stock dividends, changes in capital (consolidation, split, etc.), a rights offering, a restructuring of the Company (such as: split, merger, etc.); a right of first refusal in the transfer of securities; the rights of the Officer in connection with restricted stock units and/or restricted stock and/or phantom and/or stock options; taxation matters; manner of exercise of the options; acceleration of the equity compensation upon conclusion of office, change of control, ceasing trading etc. The Compensation Committee and the Board of Directors may determine additional provisions in connection with the equity compensation, and update, from time to time, the conditions and provisions thereof.

7.2.1. Vesting period – The total vesting period of the equity compensation shall be spread out over a period which shall be no less than three years from the date of the grant. It will be possible to determine that the equity compensation will vest in installments in the framework of the said total vesting period, provided that the first installment shall vest no earlier than the lapse of one year from the date of the grant. The vesting of the equity compensation shall be contingent on the continued employment or office of the Officer at the Company and/or at a company of the Company Group at the time of the vesting of each installment.

7.2.2. Cap on the value of the benefit – The economic value of the equity compensation that shall be granted, insofar as granted, on the date of the grant, in respect of a bonus year (which will be calculated on a linear basis and not on an accounting basis), shall not exceed an amount equal to 9 times the Monthly Pay (Gross Salary) for any Officer. In any event, the Company will not grant, during the period of the compensation policy, an award as aforementioned for more

than three bonus years, but it will be possible to grant an award for up to three bonus years even at one time

- 7.2.3. Exercise price – Upon the granting of options, the exercise price of each option shall be no less than the average price of the Company’s stock on the stock exchange in the 30 trading days preceding the date of the grant, or than the price of the Company’s stock on the date of the option grant, as shall be determined on the date of the grant.
- 7.2.4. Duration - Any installment of the equity compensation shall be exercisable within a period to be determined on the date of the grant and which shall not exceed 8 years from the date of the grant.
- 7.2.5. Exercise according to the value of the benefit – The Compensation Committee and the Board of Directors of the Company shall be entitled to determine, in the framework of the granting of the securities, that the exercise thereof shall be performed according to the value of the benefit therein (“Cashless”), such that at the time of exercise of the options, the Officer will be entitled to a number of underlying shares that reflects the benefit component only.
- 7.2.6. Exercise value – The Compensation Committee and the Board of Directors of the Company will be entitled to determine a cap on the exercise value of variable equity components or not to determine such a cap in the compensation plan and/or in a specific grant.
- 7.2.7. The Company will be entitled to determine, in plans for the granting of compensation as aforesaid, provisions regarding its right to purchase the shares from the Company’s employees.
- 7.3. The Company’s stock yield index
- 7.3.1. In the event that in respect of a calendar year, the Company shall choose not to allot equity components according to Sections 7.1 and 7.2 above, then in lieu of the grant of equity compensation through equity components, a cash bonus will be paid for the same calendar year (or for the part of the year with respect to which the aforementioned equity components were not granted, as applicable and mutatis mutandis) which is subject to the cap specified in Section 7.2.2 above, which shall be derived from the performance of the Company’s stock yield, as specified below.
- 7.3.2. The rationale in using the test of the Company’s stock yield is that the Company’s management has key influence over the

Company's results and performance, and consequently over the capital market's confidence in the Company.

- 7.3.3. This component of the Annual Bonus for each Officer shall be calculated based on the ILS yield of the Company's stock during the Bonus Year, while the minimum yield in respect of which 40% of the bonus cap will be granted for this component is 10% ("Minimum Threshold") and for a 20% stock yield, the Officer shall be granted 100% of the bonus cap which is attributed to this bonus component (the "Maximum Threshold"). The bonus for this component for performance levels between the Minimum Threshold and the Maximum Threshold shall be calculated in a linear manner.
- 7.3.4. The stock yield shall be calculated as follows: at the beginning of each Bonus Year, the average price of the Company's stock in the 30 trading days preceding January 1 of such year shall be calculated, and at the end of each Bonus Year, the average price of the Company's stock in the last 30 trading days of such year shall be calculated. The calculation of the yield shall include adjustments as is accepted, such as yield to the shareholders for dividend distributions and adjustments to changes in the share capital such as stock combinations, a stock split, the granting of stock dividends, etc.
- 7.3.5. Calculation of the stock yield index component in the case of partial employment during the Bonus Year – in a case where the employment relationship between the Officer and the Company ends in the course of the Bonus Year after March 31, or in a case where an Officer began his employment in the course of the Bonus Year and shall have completed at least three months of employment, the amount to which the Officer is entitled in respect of the stock yield index component shall be calculated according to this Compensation Policy, at the end of the calendar year, and the Officer will be entitled to part of the Annual Bonus proportionately to the period of his employment out of the year.
- 7.4. Equity compensation in group companies that are not controlled by the Company - The Company's Officers sometimes serve as officers and directors of group companies of the Company which have equity compensation plans. In a case where an Officer of the Company either serves or shall serve as an officer, including as a director, of a group company that is not controlled by the Company, subject to the approval of the Company's Board of Directors, the Officer may be compensated according to the compensation policy of the group company (with respect to the equity compensation), independently of the Company's other compensation components, all in accordance with the compensation policy and the compensation plans of the group

company, and the same shall not be deemed as compensation which is granted by the Company.

- 7.5. Equity compensation in group companies controlled by the Company - The Company's Officers who serve or will serve officers and directors of group companies controlled by the Company may be entitled to equity compensation under an equity compensation plan of such controlled company, subject to the approval of the Compensation Committee and the Board of Directors of the Company, provided that the amount of the equity compensation officers on behalf of the Company as aforesaid shall not exceed 5% of the said controlled company.

8. **Ratio Between a Fixed Component and a Variable Component**

- 8.1. The maximum variable component paid by the Company according to this Compensation Policy to any Officer shall not exceed 60% of the total annual compensation cost of the Terms of Office and Employment of the Officer². For the avoidance of doubt, for this purpose, equity compensation as stated in Sections 7.4 and 7.5 above shall not be counted.

9. **Compensation for Directors**

- 9.1. The fixed compensation for directors of the Company shall be annual compensation and per-meeting compensation (including in the case of a written resolution or a telephone conversation) and reimbursement of expenses, to be determined in accordance with the provisions set forth in the Companies Regulations (Rules on Compensation and Expenses of an Outside Director), 5760-2000 (the "**Compensation Regulations**"). Lawful VAT shall be added to the annual compensation and to the per-meeting compensation, insofar as required.
- 9.2. Considering the nature and size of the Company, as being from time to time, the roles and duties of a director of the Company, the Company may determine that the payments to the directors shall also be according to the provisions that apply to proportionate compensation pursuant to the Compensation Regulations, including with respect to compensation in securities which will comply with Section 7 above.
- 9.3. The aforesaid notwithstanding, in the event that an active Chairman of the Board shall be appointed for the Company, all of the provisions set forth in this document with respect to the rank of CEO shall apply to

² For this purpose, "variable component" includes annual bonus, special bonus and equity compensation. For the purpose of calculating the equity compensation, it shall be clarified that it is the economic value of the equity compensation on the date of the grant, as estimated by accepted economic models, and spread out in a linear manner over the vesting period of the equity compensation.

him, *mutatis mutandis*, in accordance with the approvals required pursuant to law, and as the case may be³.

10. **Conclusion of Employment Arrangements**

10.1. Each one of the Company's Officers shall have a specific severance and retirement package determined for them, which takes into account the terms of the Officer's employment upon his retirement, the Officer's seniority at the Company, his contribution thereto and the circumstances of his retirement. With respect to new employees and Officers, the conditions shall be determined according to the Company's common practice and under similar terms and conditions.

10.2. Payment for prior notice – The Company will be entitled to grant the CEO of the Company Officer prior notice for a period not exceeding 4 months and any Other Officer subject to the CEO, not exceeding 3 months, during which the Officer shall undertake to provide the Company with services in practice, in the course of which the employee will be entitled to all of the conditions and benefits and to the bonuses and to the equity component for the period in which he actually worked. The Company shall be entitled to waive the Officer's employment at the Company during the prior notice period and to pay the consideration that is due to him in lieu of the prior notice, plus all of the conditions and benefits or the value thereof, also in the case of immediate termination of employment.

10.3. Adjustment/Retirement bonus

10.3.1. The Compensation Committee shall have the option of approving an adjustment bonus/retirement bonus for an Officer⁴ according to the following provisions:

Position/Bonus	Worked in the Company for more than 3 years and up to 5 years	Worked in the Company 5 years or more
CEO	Up to 4 times Gross Salary	Up to 8 times Gross Salary
Other Officer subject to the CEO	Up to 3 times Gross Salary	Up to 6 times Gross Salary

³ It is clarified that as of the date of approval of this Compensation Policy, the Chairman of the Board receives directors' compensation in accordance with the provisions of Section 9.1 of the policy.

⁴ Over and above the Officer's rights to severance and prior notice as detailed in the policy

- 10.3.2. The Company may condition payment of the adjustment or retirement bonus on the Officer's non-compete undertaking during the adjustment period.
- 10.3.3. The considerations for granting an adjustment or retirement bonus may include, *inter alia*, and insofar as they are known at the time of the making of the decision, the period of the Officer's employment, the terms of his employment in such period, the Company's performance in the said period, the Officer's contribution to achievement of the Company's targets and to maximization of its profits, a special non-competition undertaking, and the circumstances of the retirement.
- 10.3.4. The Company may approve an adjustment or retirement bonus as aforesaid for an Officer during the term of his office or upon conclusion of his office, which shall be paid at the time of conclusion of the Officer's office.

11. **Insurance, Indemnity and Exemption**

- 11.1. Insurance policy – The Company shall be entitled to purchase, each year, including pursuant to Section 1B1 of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000 (the “**Relaxations Regulations**”), and with the approval of the Compensation Committee only, a D&O liability insurance policy, including a run-off insurance policy or insurance in connection with a relevant activity or event, which shall apply to directors and the Officers of the Company and/or its subsidiaries, as being from time to time, which shall insure their liability, subject to the restrictions and approvals set forth in the law. The terms and conditions of the policy shall not deviate from the terms and conditions specified below: (a) the amount of the annual premium shall not exceed \$250 thousand, plus up to 15% per year, from the year following the year in which the Compensation Policy was approved by the general meeting; (b) the scope of the coverage shall be no more than 50% greater than the scope of the coverage that is stated and exists on the date of approval of the Compensation Policy (although an increase in the scope of the coverage that does not entail an increase in the premium over and above that stated in Subsection (a) above shall not be deemed as a deviation from the policy); and (c) the engagement is at market conditions and does not have a potential material effect on the Company's profitability, assets or liabilities. This policy shall apply, *inter alia*, with respect to all of the Company's Officers.
- 11.2. Advance indemnity – The Company shall be entitled to give an advance indemnity undertaking to each Officer of the Company in his

capacity as an officer of the Company or by virtue of his position at other companies in which he was appointed on behalf or at the request of the Company, subject to the restrictions and approvals set forth in the law. The indemnity amount that the Company shall pay to all of the Officers, in the aggregate, including Officers who serve or shall serve, at the request of the Company, as officers of other companies, under all of the letters of indemnity that shall be issued to them by the Company pursuant to the indemnity resolution, in respect of a monetary liability, shall not exceed, in the aggregate, 25% (twenty five percent) of the Company's equity (in U.S. dollars), according to the Company's last (annual or quarterly) financial statements that are known before actual payment of the indemnity plus amounts that shall be received, if any, from an insurance company in the framework of insurance in which the Company engaged. The aforesaid does not derogate from an indemnity undertaking if and insofar as shall have been approved and/or given in the past by the Company to Officers, and which is valid.

11.3. Retroactive indemnity – The Company shall be entitled to indemnify any Officer retroactively in the broadest possible manner according to the Companies Law.

11.4. Exemption – The Company shall be entitled to grant the Officers, subject to the provisions of any law, exemption from liability due to any damage caused thereto due to a breach of the Officer's duty of care thereto by his actions in his capacity as an Officer, subject to the provisions of the law and the Company's articles of association. The said exemption shall not apply in relation to an act or omission of an Officer with respect to a resolution or transaction in which the controlling shareholder or any Officer has a personal interest. The said qualification does not apply to Officers who were first appointed prior to approval of the previous compensation policy at the general meeting of February 27, 2017 (see the notice of meeting report of February 16, 2017, Ref. No.: 2017-01-016902D) and who are entitled to exemption according to resolutions that were adopted in the past at the Company.

11.5. This Compensation Policy does not derogate from resolutions of the Company which were adopted in the past with respect to the giving of advance indemnity and/or an indemnity undertaking and/or an advance exemption from liability, to Officers, as permitted under the Companies Law.

12. **The ratio between the Terms of Office and Employment of the Officers and the salary of the Company's employees**

12.1. Upon determining the compensation conditions of the Company's Officers, an examination shall be made, *inter alia*, of the ratio between the terms of office of each one of the Company's Officers and the salary cost of the Company's other employees and of contract workers retained by the Company, and in particular the ratio to the average and median salary of such employees, considering the nature of the

Officer's role, his seniority, the level of responsibility imposed on him and the number of employees at the Company. The Compensation Committee and the Board of Directors of the Company shall examine, from time to time, the reasonableness of this ratio, considering, *inter alia*, the nature of the Company's activity, its size and the manpower mix employed thereby. In the process of formulating the Compensation Policy specified above and below, the Compensation Committee and the Board of Directors examined the ratio between the present terms of office of the Officers versus the average and median salary of the Company's employees. The Compensation Committee and the Board of Directors determined that the ratio is reasonable and does not adversely affect the working relations at the Company.

13. **Repayment of Amounts Granted to Officers, to the Company**

- 13.1. In a case where, within 3 years from the date of approval of the Company's consolidated and audited financial statements for the Bonus Year, its financial statements are amended due to data that transpired to be erroneous and were restated in the Company's financial statements, such that, had the bonus amount that was due to the Officer for such year been calculated according to the amended data, the Officer would have received a lower bonus than that which he received in practice, the Officer shall repay the Company the difference between the bonus amount that he received and that to which he was entitled due to the said amendment. The said amounts shall be repaid without linkage. The manner of repayment of the amounts to the Company, including in installments, shall be determined by the Compensation Committee and the Board of Directors of the Company, provided that they are performed within a reasonable time, considering the circumstances.
- 13.2. In a case where the Company's consolidated and audited financial statements for any year are amended due to data that transpired to be erroneous and were restated in the Company's financial statements, such that had the bonus amount which was due to the Officer for such year been calculated according to the amended data, the Officer would have received a higher bonus, the Company shall pay the Officer the difference between the bonus amount to which he was entitled and that which he received due to the said amendment. The said amounts shall be paid without linkage. The amounts to be repaid (whether to the Company or to the Officer) shall be calculated considering mandatory payments according to law that were met by the Officer in respect of the amount that was initially paid to him, and any reimbursement of such mandatory payments that the Officer shall receive in respect of the amount that he repays.
- 13.3. The provisions of this section shall not apply in the event that an amendment to the Company's financial statements is made due to changes in the accounting standards or in legislation, the application of which shall commence after the date on which the Company's Board

of Directors shall approve, for the first time, the Company's financial statements for such year.

- 13.4. The Compensation Committee and the Board of Directors will be entitled to determine the repayment dates, such that they shall be performed within a reasonable period, considering the size of the amount that the Officer is required to repay.

14. **An Immaterial Modification of the Employment Terms**

- 14.1. Pursuant to the provisions of the law, the Compensation Committee (with respect to the CEO) or the Compensation Committee and/or the Company's CEO (with respect to Officers who report to the Company's CEO), as the case may be, shall be entitled to approve an immaterial modification of the employment terms that were approved according to this policy as stated in Section 272(d) of the Companies Law or Section 1B3 of the Relaxations Regulations. For this purpose, "immaterial modification" – a modification of up to 10% per year versus the total compensation cost of the Officer that was originally approved by the Compensation Committee and the Board of Directors, and with respect to the CEO, by the general meeting, all subject to the compensation caps set forth in this policy, provided that the modification throughout the period of the Compensation Policy does not exceed 15%.

15. **Period of the Compensation Policy**

The Compensation Policy shall be in effect for a period of three years commencing from the date of receipt of the general meeting's approval of the Compensation Policy and/or approval of the Board of Directors, insofar as the Compensation Committee and the Board of Directors shall have approved the policy despite the meeting's objection. For the avoidance of doubt, it is clarified that the provisions of this Compensation Policy with respect to the Annual Bonus shall apply commencing from the Annual Bonus for 2020 forth.

16. **Miscellaneous**

- 16.1. The provisions of this Compensation Policy apply only to the Officers of the Company.
- 16.2. The Compensation Policy is drafted in the masculine gender for the sake of convenience only, but its provisions shall apply to both women and men, with no difference and with no change.
- 16.3. The Company may pay compensation to the Officer as an independent service provider (including through a company under his control) and not as a salaried employee, in which case, the payment cap for him shall be calculated according to the cost-of-salary cap for a salaried employee of the Company in his position (with the necessary

adjustments), and the principles of the Compensation Policy shall apply with respect to him, *mutatis mutandis*.

- 16.4. This document establishes no right (including a right to receive compensation of any type whatsoever) for Officers to whom this Compensation Policy applies and/or any other third party. Insofar as an Officer is granted lower compensation than the compensation described in this policy with respect to the same kind of officer, the same shall not constitute a deviation from the provisions of this policy.
- 16.5. The Compensation Committee and the Board of Directors shall examine, from time to time, the Compensation Policy and the need for adjustment thereof, and in particular whether a material change has occurred in the circumstances that existed at the time of determination hereof or for other reasons, and the need to determine a compensation plan for Officers of the Company, in consideration of the Compensation Policy.
- 16.6. Subject to the provisions of any law, the Compensation Policy does not derogate from existing agreements, or from Terms of Office and Employment or compensation that were approved prior to the determination of the Compensation Policy.

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Dear. _____

English Translation of Indemnification Letter

Whereas on December 25, 2011 the Company's board of directors resolved, after approval therefor had been received from the Company's audit committee, to approve the grant of this letter to all of the directors serving and who will serve from time to time at the Company, in respect of any acts carried out by them in their capacity as officers of the Company, as well as in respect of any acts carried out by them in their capacity, at the Company's request, as officers of another company, of which the Company is a shareholder, either directly or indirectly, or in which the Company has any interest whatsoever ("**Another/Other Company**") in accordance with the provisions of the Companies Law and other laws and the terms of indemnification specified in this Letter; and

Whereas, on February 1, 2012, the general meeting of the Company also approved the said resolution; and

Whereas on March 13, 2012 the Company's board of directors resolved, after approval therefor had been received from the Company's audit committee, to approve the grant of this Letter to the officers of the Company as well, for which the general meeting approval is not required, according to the provisions of the Companies Law and other laws and the terms of indemnification specified in this Letter.

Whereas on February 3, 2020 the Company's board of directors resolved, after approval therefor had been received from the Company's compensation committee, to approve the grant of this Letter to directors and officers serving and who will serve from time to time at the Company, who are or whose relatives are controlling shareholders in the Company and/or in the granting of which the controlling shareholders of the Company may have a personal interest and on March 12, 2020, the Company's shareholders approved the said matter.

We hereby notify you as follows:

1. **Indemnification Undertaking**

Without derogating from the Company's right to indemnify you retroactively, as permitted in the Company's articles of association, the Company hereby undertakes as follows:

- 1.1. To indemnify you for any liability or expense, as specified below, imposed upon you or expended by you as a result of acts carried out by

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you (including acts carried out prior to the date of this Letter) and/or to be carried out by you, in your capacity as an officer at the Company.

- 1.1.1. A monetary liability that shall be imposed upon you in favor of a third party pursuant to a judgment, including a judgment by way of compromise or a judgment of an arbitrator approved by a court, provided that such liability will be connected directly or indirectly, to one or more of the events specified in the Addendum hereto, or any part thereof or related thereto, directly or indirectly, provided that the maximum amount of the indemnification for such liability shall not exceed the amount specified in Section 2 below;
- 1.1.2. Reasonable expenses of the proceedings, including lawyers' fees, to be expended by you due to an investigation or proceeding that was conducted against you by an authority which is authorized to conduct an investigation or proceeding, and which has ended without the filing of an indictment against you and without a monetary liability being imposed upon you in lieu of criminal proceeding, or which has ended without the filing of an indictment against you but with the imposition of a monetary liability in lieu of a criminal proceeding in an offense which requires no proof of a criminal intention or in respect of a monetary sanction;

In this paragraph – **“A proceeding ending without the filing of an indictment in a matter on which a criminal investigation has been instituted”** and **“Monetary liability in lieu of a criminal proceeding”** – including in their meaning in Section 260 (a)(1a) of the Companies Law as shall be amended from time to time.

- 1.1.3. Reasonable expenses of the proceedings, including lawyers' fees, to be expended by you or imposed upon you by a court, in proceedings issued against you by the Company or on its behalf or by a third party, or in criminal proceedings from which you shall be acquitted, or in criminal proceedings in which you shall be convicted of an offense which do not require proof of criminal intention;
- 1.1.4. Payment to a party injured by a breach, which will be imposed upon you in connection with an administrative proceeding;
- 1.1.5. Expenses that you shall incur in connection with an administrative proceeding that was conducted in your case,

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including reasonable expenses of the proceedings, including lawyers' fees.

In this Section, “**A Third Party**” – including in case of a claim filed against you by way of a derivative claim.

2. The aggregate indemnification amount that the Company shall pay its officers, including officers serving or who will serve upon the Company's request as officers in Other Companies, pursuant to all the letters of indemnification that shall be issued by the Company, pursuant to the indemnification decision, for liability as stated in Section 1.1.1 above, shall not exceed 25% (twenty five percent) of the shareholders equity (in U.S. dollars) of the Company according to the Company's last (annual or quarterly) financial statements known before the actual indemnification payment (the “**Maximum Indemnification Amount**”) in addition to sums that may be received, if any, from insurance companies in connection to insurance policies that the Company has purchased.
 - 2.1. If and insofar as the sum of all of the indemnification amounts that the Company shall be required to pay to officers thereof, as stated in Section 1.1.1 above, shall exceed the Maximum Indemnification Amount or the balance of the Maximum Indemnification Amount (as being at that time) according to Section 2 above, the Maximum Indemnification Amount, or the balance thereof, as the case may be, shall be divided among the officers who shall be entitled to such indemnification, which they have requested but not yet received, such that the indemnification amount that each one of the officers shall receive, in practice, shall be calculated according to the ratio between the sum of the indemnifiable liability of each of the officers and the total sum of the indemnifiable liability of all of such officers, in the aggregate.
 - 2.2. Upon the occurrence of an event for which you may be entitled to indemnification in accordance with the aforesaid, the Company shall make available to you, from time to time, such funds as are required to cover the expenses and other various payments involved in the handling of such legal and/or administrative proceeding, including in inquiry and investigation proceedings, such that you will not be required to pay or finance the same yourself, and all subject to the conditions and provisions of this letter of indemnification.
3. **Without derogating from the aforesaid, the indemnification undertaking pursuant to this Letter is subject to the provisions of this Section:**
 - 3.1. You shall notify the Company of any legal and/or administrative proceeding (including inquiry/investigation proceedings) to be

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instituted against you in connection with any event for which the indemnification may apply and of any threat that shall be delivered to you in writing according to which such proceeding is to be instituted against you, with the appropriate promptness after first learning thereof, and you shall forward to the Company, or to whomever it shall instruct you, any document in connection with such proceeding. The aforesaid is subject to any bar to do so pertaining to any proceeding, applicable to you according to law.

- 3.2. Subject to the same not contradicting the terms and conditions of the officer liability insurance policy of the Company – the Company shall be entitled to assume the handling of your defense against such legal and/or administrative proceeding (including inquiry/investigation proceedings) and/or to entrust such handling to any attorney whom the Company shall choose for this purpose (other than an attorney who shall be unacceptable to you, on reasonable grounds), provided that all of the following cumulative conditions shall be fulfilled: (a) The Company shall have given notice, within 45 days from the date of receipt of the notice as stated in Section 3.1 above (or a shorter period if required for the purpose of filing your statement of defense or your response to the proceeding), that it shall indemnify you in accordance with the provisions of this Letter; (b) The legal and/or administrative proceeding (including inquiry/investigation proceedings) against you shall include only a claim for financial compensation. In handling the proceedings, the Company and/or such attorney will be entitled to act according to their sole discretion to conclude such proceeding; the attorney so appointed will act and will owe a duty of trust to the Company and to you. Where a conflict of interests between you and the Company and/or the Other Company shall arise, the attorney shall notify thereof, and you will be entitled to appoint an attorney on your behalf and the provisions of this Letter of Indemnification shall apply to the expenses that you shall incur in respect of such appointment. In case that the Company shall elect to settle in respect of a monetary charge or decide a dispute by way of arbitration in respect of a monetary charge, it may do so, insofar as the claim against you and/or the threatened claim against you as aforesaid in Section 3.1 above shall be fully removed. Upon the Company's request, you shall sign any document which will authorize it and/or any such attorney, to handle in your name your defense in the same proceeding, and represent you in all matters related thereto, according to the aforesaid.
- 3.3. You shall cooperate with the Company and/or with any attorney as aforesaid in any reasonable manner as shall be required of you by any of them in handling such legal and/or administrative proceeding (including inquiry/investigation proceedings), provided that the

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Company shall arrange to cover all of the expenses entailed therein, in a manner that you shall not be required to pay or finance them yourself, all subject to the provisions of this Indemnification Letter.

- 3.4. Whether the Company shall act according to the provisions of Section 3.2 above or not, it shall ensure the coverage of all of the expenses and various other payments stipulated in Section 1.1 above in a manner that you shall not be required to pay them or finance them yourself, without such derogating from the indemnification secured to you according to the provisions of this Letter, all subject to the provisions of Section 2 above.
 - 3.5. Your indemnification in connection with any legal and/or administrative proceeding (including inquiry/investigation proceedings) against you, as stated in this letter, will not apply with respect to any amount that shall be due from you following a settlement, arbitration or arrangement for abstention from institution of proceedings or cessation of proceedings in an administrative proceeding (“**Arrangement**”), unless the Company shall consent in writing to such settlement to such arbitration being conducted, or to engaging in such Arrangement, as the case may be. Notwithstanding the aforesaid, in an administrative proceeding, the Company’s consent as aforesaid shall only be required if the Arrangement imposes or is expected to impose on the Company financial liabilities (except for expenses of the proceedings). The Company shall not withhold its consent to such settlement, to such arbitration being conducted or to engaging in such Arrangement, as the case may be, for unreasonable grounds.
 - 3.6. The Company will not be required to pay, pursuant to this Letter, funds actually paid to you, or in your name or in your stead in any manner, in connection with an insurance policy or indemnification commitment of any party other than the Company. For avoidance of doubt, it shall be clarified that the indemnification according to this Letter shall apply in respect of all other amounts that may be due to you beyond (and in addition to) an amount to be paid (if any) in connection with such insurance and/or indemnification.
 - 3.7. Upon your request for a payment in respect of any case, pursuant to this letter, the Company shall employ all of the necessary actions according to law for payment thereof, and will act for the arrangement of any approval required therefor, if any, including a court approval, if and insofar as it shall be required.
4. The Company’s undertakings according to this Letter are subject to the provisions of any law, as shall exist from time to time, including the

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provisions of the Companies Law, especially the provisions of Chapter 5 of Part VI of the Companies Law, addressing transactions with interested parties.

5. The Company's undertakings according to this letter shall be available to you and/or your estate, also after expiration of your term of office as an officer of the Company and/or Another Company, provided that the acts in respect of which the indemnification undertaking pursuant to this Letter is being granted were and/or shall be carried out during the period of your term of office as an officer of the Company and/or Another Company. It is further clarified that subject to the provisions of Section 12 of this Indemnification Letter, the Company's undertakings according to this Indemnification Letter will apply also in respect of events which occurred prior to the signing of this Indemnification Letter.
6. In the event that the Company shall pay you or in your stead any amounts in the context of this Letter in connection with proceedings as aforesaid, and it shall subsequently transpire that you are not entitled to indemnification from the Company for such amounts, such amounts shall be deemed as a loan given to you by the Company, which shall bear interest at the minimal rate required from time to time according to law, to avoid causing a taxable benefit, and you shall be required to repay such amounts to the Company, when you shall be requested to do so thereby in writing and according to a payment schedule to be determined by the Company, of which final repayment date shall not exceed 24 months.
7. In this Indemnification Letter –

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The “ Companies Law ” -	The Israel Companies Law, 5759-1999;
“ Securities Law ” -	The Israel Securities Law, 5728-1968;
The “ Joint Investments Law ”	The Israel Joint Investments in Trust Law, 5754-1994;
The “ Advice Law ” -	Israel Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995;
The “ Insurance Supervision Law ” -	The Israel Financial Services (Insurance) Supervision Law, 5741-1981;
The “ Pension Funds Law ” -	The Israel Financial Services (Pension Funds) Supervision Law, 5765-2005;
“ Officer ” -	In its meaning in the Companies Law and including an employee of the Company;
“ Act ” or any derivative thereof -	Including a resolution and/or omission (or any derivative thereof) implicitly, and including your acts prior to the date of this Indemnification Letter during the term of your office as an officer at the Company and/or Another Company;
“ Administrative Proceeding ” -	A proceeding pursuant to Chapter H3 (imposition of a monetary sanction by the authority), Chapter H4 (imposition of administrative

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enforcement measures by the administrative enforcement committee) or Chapter II (Arrangement for avoidance of institution of proceedings or cessation of proceedings, contingent upon conditions) of the Securities Law; Proceeding pursuant to Chapters J, J1 and K1 of the Joint Investments Law; Proceeding according to Chapters G1, G2 and H1 of the Advice Law; Proceeding according to Chapter II of the Insurance Supervision Law and according to Chapter H of the Pension Funds Law; Proceeding for imposition of a monetary sanction according to Article D of Chapter 4 of Part IX in the Companies Law, as shall be amended from time to time; and also any other administrative proceeding which according to law, indemnification may be granted for payments related thereto or expenses incurred in relation thereto;

“Payment to a Party Injured by Breach” -

Payment to a party injured by breach as stated in Section 52(54)(a)(1)(a) of the Securities Law (including as applied in the Joint Investments Law and in the Advice Law); as well as payment to a party injured by breach imposed by the Commissioner of the Capital Market according to Section 92L of the Insurance Supervision Law or Section 47 of the Pension Funds Law.

All statements in the masculine, include feminine implicitly.

Any place where the name of a law or a section of law is referred to in this Indemnification Letter, the intention is to the form thereof as shall be amended from time to time (directly or through another law) and including regulations promulgated thereunder and provisions given according thereto.

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8. The Company's undertakings pursuant to this Indemnification Letter shall be construed broadly and in a manner designed to fulfill the same, as far as is permissible by law, for the object for which they were intended. In any case of discrepancy between any provision of this Indemnification Letter and any provisions of mandatory law, which cannot be modified or supplemented, the said legal provision shall prevail, although this shall not prejudice or derogate from the validity of the remaining provisions in this Indemnification Letter.
9. The Addendum to this Indemnification Letter constitutes an integral part hereof.
10. The indemnification undertaking pursuant to this Indemnification Letter does not constitute a contract in favor of any third party, including any insurer, and no insurer shall have any right to demand the Company's participation in a payment for which the insurer is liable according to the policy executed therewith (except for the deductible amount).
11. This Indemnification Letter shall be governed by Israeli law, and sole jurisdiction is conferred upon the court in Tel Aviv-Jaffa to hear disputes that shall derive from this Indemnification Letter. However, in case that a legal proceeding be instituted against you in another court by any third party, for which you are entitled to indemnification or any other right according to this Letter from the Company, the said court shall also be authorized to hear the disputes deriving from this Indemnification Letter, in respect of such proceeding.
12. The provisions of this Indemnification Letter prevail any prior undertaking or agreement (prior to the signing of this Indemnification Letter), whether written or oral, between the Company and the officer on the matters specified in the Indemnification Letter, also in respect of events that occurred prior to the signing of this Indemnification Letter and prior to any indemnification being requested from the Company in respect thereof. The aforesaid is contingent upon a prior indemnification letter provided to the officer, if any, continuing to apply and remaining in effect in respect of any event that had occurred prior to the signing of this Indemnification Letter (even if indemnification in respect thereof was requested from the Company after the signing of the amended indemnification letter), if the terms of this Indemnification Letter worsen the indemnification terms for the officer in respect of such event, subject to any law.

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In witness the Company has signed, through its signatories, who have been duly authorized.

Elron Electronic Industries Ltd

I confirm receipt of this Letter and confirm my agreement to all terms herein.

Date:

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The Addendum

Subject to the provisions of law, these are the kinds of events:

1. An offering, issue and self-purchase of securities by the Company or by a subsidiary, a corporation controlled by the Company or another company, in which the Company is a shareholder, directly or indirectly, or that the Company has any interest in whatsoever (the “**Company**”) or by a shareholder of the Company, including, but without derogating from the generality of the aforesaid, an offering of securities to the public pursuant to a prospectus or otherwise, a private placement or a securities offering in any other manner, or the issuance of bonus shares, or the performance of a tender offer or sale offer (including the offering of securities which was not ultimately executed), in or outside Israel, as well as other actions in respect of securities.
2. An event deriving from the Company being a public company or a reporting corporation, as such terms are defined in the Companies Law, or deriving from the fact that its shares or other securities shall have been offered to the public or deriving from the fact that its shares or securities are traded on a stock exchange in or outside of Israel or are held by the public in Israel or abroad.
3. Sale, purchase or holding of investments by or for or in the name of the Company.
4. Events associated with the execution of investments by the Company in any corporations, before, during and after the investment is executed, during the engagement, the signing, development and monitoring, including actions performed in the name of the Company as a director, officer, employee or observer on the board of directors of the corporation in which the investment is being executed.
5. Events related to consultation to the Company, performance and management of investments by the Company in any corporations.
6. Transactions and acts of the Company in their meaning in Section 1 of the Companies Law, including the execution, cancellation thereof and/or actions or transactions that the Company shall refrain from implementing, negotiations for engagement in a transaction, due diligence inquiry (including the non-performance thereof), transfer, sale, lease, renting, pledge or purchase of assets or liabilities, including securities, or rights or grant or receipt of a right in any of them including a tender offer of any type or merger of the Company with another entity, receipt of credit and grant of securities, cooperation agreements, ventures and management agreements, as well as another transaction in securities issued and/or to be issued by the Company, all whether the Company is a party thereto or not, and whether the transactions and/or act as aforesaid be concluded or not for any reason.

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7. An act in respect of the issuance of licenses and permits, including, but without derogating from the generality of the aforesaid, approvals and/or exemptions related to antitrust, the Chief Scientist and the Commissioner of the Capital Market, Insurance and Savings at the Israel Ministry of Finance.
8. An act or decision as well as any claim or demand either directly or indirectly connected with employment relations at the Company or held companies, employees' rights, including, without derogating from the generality of the aforesaid, negotiations, engagement and implementation of personal or collective employment agreements, employee benefits, allocation of options and other securities, loans to employees, employment and engagement terms, compensation, admission to work, employment and non-employment, promotion of employees, handling pension arrangements, insurance and saving funds and other benefits, hygiene and safety at work and injuries at work and so forth.
9. An act or omission related to information, representations, estimates, opinions, financial statements, reports or notices and applications for approval (as well as the actions underlying the same), filed with judicial and administrative authorities by the Company and/or in relation with the Company and its operations (even if not filed by the Company itself)(including the refraining from filing such report or notice) according to any law, including but without derogating from the generality of the aforesaid, the Companies Law or the Securities Law, including regulations promulgated thereunder, or according to rules or directives prevailing in the stock exchange in or outside Israel, or according to the directives of a qualified authority, including, without derogating from the generality of the aforesaid, the securities authority (in Israel and in the USA – SEC), the Antitrust Authority, Income Tax, the Databases Registrar, the Companies Registrar, the Trademarks Registrar, the Pledges Registrar, the Land Registrar, the Tel Aviv Stock Exchange Ltd., the Commissioner of the Capital Market, Insurance and Saving at the Ministry of Finance, the Supervisor of the Banks, local authorities, other qualified authorities in the field of communication, energy, planning and construction and so forth, whether in Israel or in other countries around the world, or according to the provisions of the tax laws applicable to the Company, as well as a claim or demand in respect of non-disclosure or failure to provide any type of information on the date required by law.
10. Transferring information required or permitted for transfer according to law to companies who are interested parties in the Company.
11. An act or omission in respect of voting rights in the Company or in held companies and the operation thereof.
12. Any proceeding (including a claim) or demand in respect of intellectual property rights of the Company or of held companies, the registration thereof,

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enforcement and protection thereof, and/or in respect of a violation carried out or claimed to have been carried out of an intellectual property right and/or in respect of abuse through an act and/or omission in third party intellectual property by the Company or anyone on its behalf.

13. An act or omission in respect of the taking out and/or activation and/or handling of insurance arrangements and/or risk management, as well as any matter in respect of negotiations in respect of insurance agreements, engagement in insurance agreements, terms of insurance policies and the activation of insurance policies.
14. Any claim or demand filed by a lender or creditor of the Company in respect of funds loaned thereto thereby, and/or debts and/or undertakings of the Company and/or of a company held by the Company thereto.
15. Any claim or demand filed by the purchasers, owners, lessors, tenants or other holders of assets or products of the Company, for damage or losses related to the use of the said assets or products.
16. An act or omission in respect of issues in the field of environmental quality and/or in the field of planning and building, including any legal or administrative proceeding, whether in or outside Israel, in matters related, directly or indirectly, to environmental quality or the provisions of law, procedures or standards, as applicable in or outside Israel, in respect of environmental quality, and related, *inter alia*, to contamination, protection of health, production proceedings, distribution, use, handling, storage and transportation of hazardous materials including for bodily, property and environmental damage.
17. Any act or omission related to the distribution, as defined in the Companies Law, including the purchase of the Company's shares, provided that the indemnification for any such act or omission does not constitute breach of any law.
18. Claim or demand addressing any act or omission performed for the change of the Company's structure and/or reorganization thereof or any decision pertaining thereto, as well as any act, omission, claim or demand in respect of: merger, split, arrangement pursuant to the Companies Law, allotment or distribution as defined in the Companies Law.
19. Expression, statement including a position or opinion expressed in good faith by the officer while in office and in his capacity as officer, including in negotiations and engagements with suppliers or customers, and including within the context of meetings of the management, board of directors or any committee thereof.

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20. Any claim or demand filed in respect of an appointment or motion for the appointment of a receiver for the Company or in respect of a motion for dissolution against the Company or in respect of any proceeding for settlement or arrangement with creditors of the Company.
21. Class actions or derivative actions in connection with the Company and its operations.
22. Acts and/or omissions in respect of the application for and/or receipt and/or renewal of licenses and/or approvals and/or permits required for the operations and business of the Company or that led to the non-renewal or revocation and/or non-compliance of the Company therewith or with standards and/or directives and/or requirements and/or procedures of a qualified authority by virtue of laws and/or orders and/or regulations that are relevant to the operations and business of the Company.
23. Proceedings, in or outside Israel, on matters related directly or indirectly, to the Israel Antitrust Law, 5748-1988 and/or to orders and/or regulations and/or rules promulgated thereunder, and/or approvals and/or permits issued by virtue thereof, including binding arrangements, mergers and monopolies.
24. All matters related to the preparation and/or approval of financial statements including acts or omissions related to the adoption of financial reporting standards (including international financial reporting standards – IFRS), preparation and signature on the Company’s financial statements, consolidated or separate, as applicable as well as in connection with the preparation and/or approval of the Board of Directors report and/or business plans and projections and/or the provision of an estimate in respect of the effectiveness of the internal auditing in the Company and in respect of other issues included in the financial statements and the Board of Directors report, as well as provision of certifications referring to the financial statements – all, whether pursuant to the reporting requirements according to Israeli law or according to foreign law.
25. All matters related to the preparation and/or filing of any reporting and disclosure document pursuant to securities laws in or outside Israel, including periodic reports according to the securities laws in Israel and the filing of periodic reports according to securities laws in the USA.
26. An act or omission in respect of the formulation of a business plan, formulation of a work plan, including in respect of pricing, marketing, distribution, instructions to employees, customers, agents, marketers and suppliers and any cooperation, the Company’s policy and procedures thereof; execution of actions following or in accordance with the Company’s policy, procedures and proceedings prevailing therein, whether published or not.

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27. All matters related, directly or indirectly to the management of the Company's investment portfolio and/or the bank accounts, including foreign currency deposits, securities, loans and credit facilities, charge cards, bank guarantees, letters of credit, investment consulting agreements, including with portfolio managers, hedging transactions, options, future contracts and so forth.
28. Acts related to the filing of bids for tenders and/or franchises and/or licenses, of any type whatsoever.
29. An act contrary to the incorporation documents of the Company.
30. An act pertaining to a tax liability of the Company and/or of its shareholders.
31. Breach of the provisions of any agreement to which the Company is party, whether actually performed or is claimed to have been performed.
32. An act or decision, related directly or indirectly to the Company's trade relations and/or the Company's business, including with employees, external contractors, customers, suppliers, franchisers, consultants, tenants and service providers, or any third party conducting any type of business, directly or indirectly, with the Company, including negotiations, the execution and performance and/or non-performance of contracts with all of the aforesaid.
33. Any claim or demand that are filed, by a third party suffering a bodily injury or damage to an asset, resulting from an act or omission which are attributed to the Company and/or employees, managers and/or officers thereof and/or anyone on behalf thereof.
34. Any action, act and/or omission which caused bodily harm, sickness, death and/or damage to property, including loss of use thereof.
35. Decisions and/or acts pertaining to the Israel Consumer Protection Law, 5741-1981 and/or orders and/or regulations by virtue thereof, as well as decisions and/or acts pertaining to laws and/or regulations and/or orders and/or rules and/or directives of qualified authorities in matters of product liability, including without derogating from the generality of the aforesaid, the Israel Liability for Defective Products Law, 5740-1980, as well as legislation and regulation in the field of consumer health, as well as decisions and/or actions pertaining to the Israel Law for Supervision of Commodities and Services, 5756-1996 and/or orders and/or regulations promulgated thereunder.
36. Decisions and/or acts related to the Israel Protection of Privacy Law, 5741-1981 and/or orders and/or regulations promulgated thereunder.
37. Acts within the context of a legal proceeding or an administrative proceeding by the Company and/or against it or against an officer.

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38. Any of the events specified above, in connection with any Other Company (as defined in the beginning of this Indemnification Letter) as well as any of the events specified above, in connection with the capacity as a director or an officer on behalf of the Company or upon the request thereof in Another Company as stated above.
39. Events related to recruitment and representation of potential investors in the Company.
40. Involvement in a receivership or dissolution proceeding of held companies in which you served/are serving as a director.
41. Any provision in this Addendum pertaining to the execution of a certain act, will be construed as referring also to the non-execution or refraining from execution of such act, unless the context of matters in a certain provision requires otherwise.
