

ELRON VENTURES LTD.

(the “Company”)

May 23, 2023

Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 9546434

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

By MAGNA

By MAYA

Re: **Immediate Report about convening a special general meeting of shareholders of the Company and an Immediate Report pursuant to the Securities Regulations (Private Placement of Securities of a Registered Company), 5760-2000**

An immediate report is hereby made (hereinafter: the “**Report**”), pursuant to the Companies Law, 5759-1999 (the “**Companies Law**”), the Securities Law, 5728-1968 (the “**Securities Law**”), the Securities Regulations (Immediate and Periodic Reports), 5730-1970, the Companies Regulations (Notice and Announcement of General Meetings and Class Meetings in a Public Company and Adding a Topic to the Agenda), 5760-2000, the Companies Regulations (Voting in Writing and Position Statements), 5766-2005 (hereinafter: the “**Voting Regulations**”), the Securities Regulations (Private Placement of Securities of a Registered Company), 5760-2000 (hereinafter: the “**Private Placement Regulations**”), concerning the convening of a special general meeting of the shareholders of the Company, which will be held on **Tuesday, June 27, 2023, at 15:00** (Israel time), in the Company’s offices At 144 Yigal Alon St., TOHA Tower, 27th Floor, Tel Aviv-Yaffo (hereinafter: the “**Company’s Offices**”), the agenda of which meeting will consist of the issues described in this Report below.

Part A - Information about Summoning the General Meeting

1. **The Item and Summary of the Resolution on the Agenda**

The following is a summary of the topics and resolutions on the agenda of the general meeting:

1.1. **Approval of Grant of Options to Purchase Shares to Mr. Dan Hoz, Chairman of the Board, in place of existing options**

For more information about this resolution, see **Part B** of this Report below.

Form of Proposed Resolution: To approve the grant of 148,618 options valued at approximately NIS209,000 this – as part of the option plan, as described in Part B of the report convening the general meeting following the cancellation of the options granted to Mr. Hoz in accordance with the approval of the Company’s shareholders meeting of April 24, 2022, in accordance with the value of the aforesaid cancelled options as of today.

1.2. **Terms of Office: Approval of a Discretionary Grant to Mr. Dan Hoz, the Chairman of the Board of Directors**

For more information about this resolution, see **Part C** of this Report below.

Form of Proposed Resolution: To approve the discretionary grant in the amount of NIS 80,413 as detailed in Part C of this Report below.

1.3. **Approval of granting Options for Company Shares to the Company's CEO**

For more information about this resolution see **Part D** of this Report below.

Form of Proposed Resolution: To approve granting options to purchase Company shares to the Company's Chief Executive Officer as described in Part D of the report convening the general meeting.

2. **The Effective Date**

The effective date for the purpose of a shareholder's eligibility to participate in and vote at the meeting and an adjourned meeting, pursuant to section 182 of the Companies Law and Article 3 of the Voting Regulations, is **Tuesday, May 30, 2023** (hereinafter: the "**Effective Date**"). If no trading is carried out on the Effective Date, the Effective Date will be the last trading day preceding such date.

3. **Legal Quorum and Adjourned Meeting**

3.1. A legal quorum will be constituted upon the presence, either in person or by proxy, of at least two shareholders holding, in total, more than 33 $\frac{1}{3}$ % of the issued shares conferring voting rights in the Company, within one half hour of the time scheduled for the opening of the meeting (the "**Legal Quorum**"). If a Legal Quorum is not present at the general meeting at the end of one half hour from the time scheduled for commencement of the meeting, the general meeting will be adjourned to the same day the following week, at the same time and location ("**Adjourned Meeting**"), namely on **Tuesday, July 4, 2023** at 15:00. If no Legal Quorum is present at the Adjourned Meeting one half hour after the time scheduled for the meeting, then one shareholder holding at least 25% of the issued share capital of the Company, who is present in person or by proxy, will constitute a legal quorum.

3.2. A general meeting at which a Legal Quorum is present is entitled to resolve to postpone the meeting for another date and place that will be determined. At the Adjourned Meeting, no matter will be discussed except matters that were on the agenda for the original meeting and with respect to which no resolution was passed.

4. **Required Majority**

4.1. The majority required for adoption of the proposed resolutions on the agenda in accordance with sections 1.1 and 1.2, is a simple majority of the shareholders entitled to vote and who are participating in the vote, in person or by proxy (including by proxy or ballot).

4.2. The majority required for adoption of the proposed resolution on the agenda (in accordance with section 1.3 above) is a simple majority of the shareholders entitled to vote and who are participating in the vote, in person or by proxy (including by proxy by ballot) provided that one of the following is fulfilled:

4.2.1. The majority vote count at the general meeting will include a majority of all votes of shareholders participating in the vote who are not controlling shareholders of the

Company or have personal interest in approving the resolutions; the vote count of such shareholders will exclude the abstaining votes; The provisions of section 276 of the Companies Law, will apply, mutatis mutandis, to a shareholder who has a personal interest.

4.2.2. The total dissenting votes from among the shareholders specified in section (1) above does not exceed two percent (2%) of the total voting rights in the Company.

4.3. It is noted that the Compensation Committee and the Board of Directors have authority to approve the granting of the options to the CEO as stated in section 1.3 above under section 272(c1)(2) of the Companies Law, even if the general meeting opposes the resolution's approval, provided the Compensation Committee followed by the Board of Directors so decide, on detailed grounds, after they re- discuss the relevant decision and considered in their discussion, among other things, the objection of the general meeting.

4.4. The Company is not a "public granddaughter company", as this term is defined in section 267A(c) of the Companies Law.

4.5. The controlling shareholder of the Company, Discount Investment Corporation Ltd ("**DIC**") holds approximately 60.08%¹ of the Company's issued capital and voting rights, that gives the controlling shareholder the majority required to pass the resolutions set forth in section 1.1 and section 1.2 on the agenda. DIC does not hold the majority required to pass the resolution set forth in section 1.3.

5. **Manner of Voting**

5.1. Each shareholder of the Company on the Effective Date is entitled to participate in the meeting and vote, in person or by proxy or using a Ballot, as defined in section 87 of the Companies Law, in accordance with the Company's articles of association, the provisions of the Companies Law and as described below. A shareholder under section 177(1) of the Companies Law, that is, a shareholder in whose favor a share is registered with a member of the Stock Exchange and that share is included among the shares registered in the shareholders' register (hereafter: "**Unregistered Shareholder**"), may also vote using 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. **Proxy for voting** – 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), must be signed by the appointer or by the person authorized in writing, and if the appointer is a corporation, the Letter of Appointment will be prepared and signed in a manner which is binding upon the corporation and deposited at the Company's registered office at least 48 hours before the time scheduled for the meeting. The Company has the right to require that it will be handed over with a confirmation in writing, confirming, to its satisfaction, the authority of the signatories to bind the corporation. The Letter of Appointment will 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

¹ For more details about the holdings in Discount Investments Ltd. see the immediate report on the status of holdings of interested parties and senior officers published by the Company on April 10, 2023 (reference number: 01-0402782023)

the General Meeting), 5760-2000 (“**Confirmation of Ownership Regulations**”), an Unregistered Shareholder, who wishes to vote at the meeting, in person or by proxy, will provide the Company with confirmation of his ownership of the share on the Effective Date, which must be received from the Stock Exchange member with which his right to the share is registered, as required by the Confirmation of Ownership Regulations (“**Confirmation of Ownership**”).

6.2. A shareholder whose shares are registered with a Stock Exchange member may receive confirmation of the ownership from the Stock Exchange member through which he holds his shares, at a branch of the Stock Exchange member or by mail to his address, if he so requests, provided that a request in this regard will be made in advance for a specific securities account. It is noted that according to 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 a confirmation of ownership for every shareholder included therein.

7. **Voting by Ballot and Position Statement**

7.1. According to the Voting Regulations, a shareholder may vote at the Meeting on the proposed resolutions that are on the agenda, as described in section 1 above, by a ballot as specified below. The language of the ballot and position statements in respect of the meeting may be found on the distribution website of the Israel Securities Authority at <https://www.magna.isa.gov.il> (the “**Distribution Website**”) and on the website of the Tel Aviv Stock Exchange Ltd. at <http://maya.tase.co.il> (the “**TASE Website**”). A shareholder may approach the Company directly and receive from it, free of charge, the language of the ballot and the position statements.

7.2. A Stock Exchange member will send, free of charge, via e-mail, a link to the language of the ballot and the position statements (if any) on the Distribution Website, to any Unregistered Shareholder, unless the shareholder will have notified such Stock Exchange member that he is not interested therein, provided that the notice will have been given with respect to a specific securities account and on a date prior to the Effective Date.

7.3. The vote will be cast on the second part of the ballot, as posted on the Distribution Website.

7.4. The (non-electronic) ballot of an Unregistered Shareholder will be provided to the Company together with the Confirmation of Ownership, such that the ballot will reach the Company’s registered office **no later than four hours before the time of convening the meeting** (that is, no later than **Tuesday, June 27, 2023, at 11:00 AM**). In this respect, the “delivery time” is the time on which the ballot and its attachments reach the Company’s Offices.

7.5. A shareholder who is registered in the shareholders’ register will deliver to the Company the ballot together with a photocopy of an identity card or a photocopy of the incorporation certificate, such that the ballot will reach the Company’s Registered Office **up to six hours before the time of convening of the General Meeting** (that is, until **Tuesday, June 27, 2023, at 9:00 AM**).

7.6. A shareholder may approach the Registered Office of the Company and after proving his identity, may withdraw his ballot and Confirmation of Ownership **up to 24 hours prior to the time of 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 a Confirmation of Ownership is not attached (or alternatively, a confirmation of ownership has not been submitted via the Electronic Voting System) or with regard to a record shareholder, his identity document, passport, or certificate of incorporation, as applicable, has not been attached, will be invalid.

8. **Voting through the Electronic Voting System**

- 8.1. As provided above, an Unregistered Shareholder may vote on the resolutions that are on the agenda also by an Electronic Ballot.
- 8.2. A shareholder in whose favor a share is registered with a member of Tel Aviv Stock Exchange Ltd. is entitled to receive from the Stock Exchange 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 through the Electronic Ballot is not required to furnish the Company with a Confirmation of Ownership in the manner specified above.
- 8.3. The Electronic Ballot will be available for voting at the end of the Effective Date. Voting by the Electronic Voting System will end **6 hours before the time of the Meeting** (that is, on **Tuesday, June 27, 2023, at 9:00 AM**), at which time the Electronic Voting System will be locked.
- 8.4. The Electronic Vote may be modified or revoked until the Electronic Voting System is locked and may not be modified through the Electronic Voting System after such time. If a shareholder will have voted by more than one method, his later vote will be counted. For this purpose, the vote of a shareholder in person or by proxy will be deemed later to a vote by Electronic Ballot.

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

- 9.1. The deadline for delivery of position statements to the Company is **up to ten (10) days before the date of the meeting**.
- 9.2. The deadline for delivery of the Board's response to position statements, if and to the extent position statements of shareholders are submitted and the Board elects to submit its response to the said position statements, is no later than **five (5) days before the date of the meeting**.

10. **Notice of personal interest and disclosure regarding the manner of vote**

- 10.1. According to section 276 of the Companies Law, a shareholder participating in a vote regarding the proposed resolution 1.3 on the agenda, whether in person or by proxy, will notify the Company before the 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 for that purpose, if he is deemed to be 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 a description of the relevant personal interest, and will also indicate it in section 10.3 below.
- 10.2. The vote of a shareholder who fails to indicate the existence or absence of personal interest and/or of his being a controlling shareholder of the Company (or will indicate that he has personal interest but fails to specify the nature of the matter), will not be counted.
- 10.3. Furthermore, in accordance with the Voting Regulations and the directive of the Israel Securities Authority as of November 30, 2011, on disclosure regarding the manner of voting of interested parties, senior officers and institutional bodies in meetings (the "**Directive**"), an interested party, a senior officer and an institutional investor (the "**Voters**") as defined in the regulations and in the Directive, who are voting at the meeting on resolution 1.3 on the agenda, will provide to the Company, within their vote, the details required according to the regulations and section 2(b) of the Directive, and if they vote by proxy, then the Voter or the proxy will also provide the details

regarding the proxy. In addition, information will 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 the senior officers of the Company, including employment relations, business relations etc., while specifying their nature.

11. Changes in the agenda; The deadline for submitting an application to add an item to the agenda by a shareholder

11.1. After the publication of this Report, there may be changes in the agenda, including adding 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 reports that will be published 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 will 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 summons, 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. Inspection of documents

12.1. A copy of this Report and the relevant documents pertaining to a resolution that is on the agenda, and the language of the proposed resolution are available for inspection at the Company's Offices, by prior telephone appointment 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 convening the meeting, and on the Distribution Website and on the TASE Website.

12.2. In addition, the language of the English translation of this Report will also appear on the Company's website at: <http://elronventures.com>

12.3. The representatives of the Company for handling this Report are Mr. Paul Weinberg, Adv. Corporate Secretary, and/or Adv. Ofer Hanoch and Adv. Tamir Lazarov of the firm Goldfarb, Gross, Zeligman & Co. whose address is 1 Azrieli Center (the Round Tower, 39th floor), Tel Aviv, Telephone +972-3-6074510; fax.+972-3-6914164.

Part B - More information about the Resolution in Section 1.1 – Approval

13. Background

- 13.1. On November 14, 2021, Mr. Dan Hoz began serving as the Chairman of the Board of Directors of the Company. Prior to his appointment as the Chairman of the Board of Directors, Mr. Hoz served as an alternate director, beginning in June 2021.
- 13.2. The Company, in accordance with the provisions of the Compensation Policy, during the period of the Compensation Policy, may approve or act according to plans for granting equity compensation to officers.
- 13.3. On May 17, 2023, the Company's Board of Directors decided, following the approval of the Compensation Committee and according to its recommendation, to approve the cancellation of the grant of the non-tradable options exercisable for the Company's ordinary shares of 0.003 NIS each (hereinafter: "**Options**") which were granted to the Chairman of the Board of Directors in accordance with the approval of the Company's shareholders' meeting of April 24, 2022² (hereinafter: the "**2022 Award**"), with his consent, and to grant in their place 148,618 Options that are equal to the value of the canceled Options as of the date of cancellation (approximately NIS209,000 such that on a net basis, no expense to the Company will be recognized), this, as part of a plan to grant options to the Company's employees and officers approved by the Company's Board of Directors on November 21, 2018 (hereinafter: the "**Option Plan**") and according to the terms of the Option Plan. The vesting period for the Options granted according to this Report will start anew from the date of grant and will not continue the period that has passed since the 2022 Award.
- 13.4. It should be noted that, in addition, the Company's Board of Directors decided at that time, following the approval of the Compensation Committee and according to its recommendation, to grant options to other officers as well (non-directors), to employees and service providers in the Company. For more details, see the Company's Immediate Report regarding a non-material private placement in accordance with the private placement regulations published by the Company on May 17, 2023 (reference number: 2023-01-045334).
- 13.5. The allotment of the Options to the Chairman under the Option Plan will be made as a grant under the capital gains track through a trustee, as defined in section 102(b)(2) of the Income Tax Ordinance (New Version), 5721-1961 (hereinafter: the "**Ordinance**" and the "**Tax Track**"), and subject to the Income Tax Rules (Tax Relief in Allotment of Options to Employees), 5763-2003, as updated from time to time (hereinafter: "**Income Tax Rules**"), and the Options will be granted in accordance with the Option Plan and the Compensation Policy.
- 13.6. Scope of grant, value and quantity of the Options –The scope of the grant, value and quantity of the Options - the scope of the grant of the Options that will be granted to the Chairman of the Board in the amount mentioned in section 13.2 above reflects an approximately 0.29% shareholding (approximately 0.26% of the Company's fully diluted share capital) (after the cancellation of the 2022 Award and the allocation according to this Report). The value of the Options granted to the Chairman is approximately NIS 209,00, which as mentioned is the value of the canceled options as of the date of the Board of Directors' decision described above.
- 13.7. Approval and date of grant – The allotment of options to Mr. Hoz was approved by the Compensation Committee and the Company's Board of Directors, and is subject to the

² For details, see the immediate report on the meeting published by the company on March 17, 2022 (reference number: 2022-01-026664), and the immediate report on the results of the meeting published by the Company on April 24, 2022 (reference number: 2022-01-041364).

approval of the general meeting. The grant date will be on the day of the general meeting's approval, provided that all approvals for the grant are received (and if these approvals are not received before the meeting's approval date, the actual grant date will be determined one business day after all the approvals are received)³. As stated, the grant is subject to receipt of all approvals required by law, including the approval of the Tax Authority (including tax decisions), as required, and the approval of the Stock Exchange for listing all the shares resulting from the exercise of the Options. For the avoidance of doubt, the amount of the Options allotted as aforesaid was determined according to the price known at the date of approval of the Board of Directors and will not be adjusted for change in share price until the date of the meeting, such that the grant value may change after the Board's approval.

- 13.8. The options will be granted to the Chairman of the Board in accordance with the terms of the Option Plan. Unless provided otherwise in this Chapter B, the Options granted to the Chairman of the Board will be subject to the relevant provisions applicable to the options granted to the CEO, described in Chapter D below, mutatis mutandis and as the case may be.

14. **Information pursuant to the Private Placement Regulations**

The allotment of Options to the Chairman of the Board is a "Material Private Placement" as defined in Article 1 of the Private Placement Regulations.

14.1. Offeree Identity

Mr. Dan Hoz, the Chairman of the Company's Board of Directors. The offeree, is not an "Interested Party", as defined in section 270 of the Companies Law. The offeree is an interested party in the Company by virtue of his position, as this term is defined in the Securities Law.

- 14.2. The terms of the securities offered to be issued, their quantity and the percentage they will constitute of the voting rights and the issued and paid-up share capital of the Company after the allotment and on a fully diluted basis.

The Chairman of the Board will be allotted 148,618 Options, which, subject to the vesting terms, will be exercised into up to 148,618 shares, constituting 0.29% of the Company's capital (following the allotment) (0.26% fully diluted)⁴.

As stated above, the number of Options to be granted to the Chairman of the Board was set on May 17, 2023.

For information about the rights attached to the shares that will derive as a result of the exercise of the offeree's options under the Option Plan, see section 20.8.3 below, which will also apply to the Chairman, mutatis mutandis.

For information about adjustments, see section 20.8.4 below, which will also apply to the Chairman, mutatis mutandis.

- 14.3. The price of the offered securities and their price on the Stock Exchange of the same series on the day preceding the date of publication of the Report, and the ratio between them

- 14.3.1. Subject to the cancellation of the Options granted to the Chairman as part of the 2022 Award, the Options will be allotted to the offeree for no consideration at the time of their

³ For the purpose of determining the exercise price, see section 14.3.2.

⁴ It should be clarified that this is a maximum amount of exercise shares and a maximum shareholding in equity and the voting rights arising from the Exercise Shares. In practice the holdings will be lower in light of the net exercise mechanism as stated in Section 20.8.8 below

allotment and the exercise of the Options into shares.

- 14.3.2. In accordance with the resolutions of the Compensation Committee and Board of Directors, the exercise price of each tranche, as set forth in section 14.3.3 below, will be the higher of the Company's average share price in the 30 trading days preceding the date of the Board's approval and the share price at the end of the trading day of May 16, 2023, the last trading day before the Board of Directors' decision (NIS4.525 NIS) plus a premium of 10% of the aforementioned share price, i.e. NIS4.978 (hereinafter: "the **exercise price**"). The closing price of the Company's shares on the Tel Aviv Stock Exchange on May 21, 2023 is NIS 4.855 (hereinafter: "**closing price**"). The ratio between the share price on the Stock Exchange on May 21, 2023 and the exercise price is 1:1.025.

14.3.3. Vesting periods and Option Tranches

Subject to Mr. Hoz serving as an active Chairman of the Board and/or as an officer in a different position in the Company's Group⁵ (if approved by the Compensation Committee and the Board of Directors), upon the vesting date of each tranche (unless if the termination of the term of service was the result of death or disability (as defined in the Option Plan)⁶:

14.3.3.1. 1/3 of the Options will vest after one year of their allotment date;

14.3.3.2. 1/3 of the Options will vest after two years of their allotment date;

14.3.3.3. 1/3 of the Options will vest after three years of their allotment date;

The number of Options in every tranche will be rounded down for each fraction of an option lower than 0.5, and rounded up for each fraction of an option equal to or greater than 0.5.

14.3.4. Accelerated Vesting in the case of a change of control or similar events

In the grant letter to be provided to the Chairman of the Board it will be stated that, without derogating from the powers of the Option Plan's Administrator,⁵ in the situations set forth below, the Options allotted to the Chairman in accordance with the Option Plan and which have not yet vested, will vest as follows:

14.3.4.1. In any case where the Company's current controlling shareholder, (DIC) ceases to be the controlling shareholder(s), the next unvested Option installment shall vest. For this purpose, "**Control**" is as defined in the Securities Law.

14.3.4.2. Any change of control resulting in the Company's shares ceasing to be traded and/or a merger of the Company with a different entity and/or sale of the Company or most of the Company's assets and/or an approval of a tender offer for all of the Company's shares, all of the then unvested Options shall vest. "**most of the Company's assets**" – asset and/or assets which are not liquid resources, whose total value constitutes at least 50% of the Company's total balance sheet in the most

⁵ The "Company's Group" is defined in the Company's current Compensation Policy as "the Company and/or a subsidiary and/or related companies and/or held companies and/or controlling shareholder in the Company and/or partnerships held and/or managed by the Company, including dedicated investment fund/s in which the Company and/or corporations from the Company's Group will hold at least 40% of the issued and paid-up capital of their general partner and/or will manage them

⁶ In accordance with the provisions of the Option Plan, any period during which the offeree is on unpaid leave (except in cases of maternity leave, illness or absence due to military reserve service) will be added to the vesting period above, and the vesting dates will be postponed accordingly.

recent consolidated financial statements (reviewed or audited) that it published before such sale.

Furthermore, in the event of termination of the active Chairman with the Company as a result of death or disability, then vesting will be accelerated for the full number of Options that have been allocated and whose vesting date has not yet occurred.

14.3.5. For information about the manner of exercise of the Options, see section 20.8.8 below, which will also apply to the Chairman, mutatis mutandis⁷.

14.3.6. The Option Period

The Options granted to Mr. Hoz will be exercisable from the date of their vesting and up to 5 years from the date of grant.

14.3.7. For details regarding arrangements that will apply in cases of contract termination, see section 20.8.11 below, which will also apply to the Chairman, mutatis mutandis.

14.3.8. For information about the trust arrangement and the offeree's taxation, see section 20.8.12 below, which will also apply to the Chairman, mutatis mutandis.

14.3.9. For information about the issued and paid-up share capital of the Company, see section 20.8.13 below, which will also apply to the Chairman, mutatis mutandis.

14.3.10. For information about the percentage of holdings of interested parties in the Company as of the date of the Report, see section 20.8.14 below, which will also apply to the Chairman, mutatis mutandis.

14.3.11. For details regarding the details of any prevention or restriction in carrying out activities in the offered securities that will apply to the offeree, according to the regulations of the Stock Exchange in Israel, according to any law or according to an undertaking that the offeree has taken upon himself, to the best of the Company's knowledge, see section 20.8.19 below which will also apply to the Chairman, mutatis mutandis.

14.4. Details of the consideration

Subject to the cancellation of the Options granted to the Chairman pursuant to the 2022 Award, the Options will be allotted to the Chairman for no monetary consideration as part of the terms of office. As stated above, the exercise price is theoretical and will not actually be paid to the Company.

14.5. The name of each material shareholder or officer in the Company who has, to the best of the Company's knowledge, a personal interest in the compensation, and the nature of the personal interest of each of them.

To the best of the Company's knowledge, except for the Chairman's personal interest in the allotment of Options, no other material shareholder or officer in the Company has a personal interest in the compensation. It is noted, as stated above, that concurrently with approving the grant of the Options to the Chairman, the Board of Directors approved grant of options to other

⁷ As the term is defined in the Option Plan: "The company's Board of Directors or the Compensation Committee of the Company or another committee (of 2 members or more) appointed by the Company's Board of Directors and authorized by it to manage this plan and in accordance with any law."

officers (who are not directors) in the Company.

14.6. The required approvals or the conditions set for executing the allotment under the offer, were they accepted or met? If not, when are they expected to be accepted or met?

The allotment of the Options to the Chairman according to this Report will be made after receiving the cumulative approvals listed below, of which receipt is a necessary prerequisite for making the allotment to the offeree:

14.6.1. Approval by the relevant institutions in the Company as required by law. On May 17, 2023, the Company's Board of Directors approved the allotment of the Options, following the approval of the Compensation Committee. Accordingly, the approval of the general meeting, being convened under this Report, is required.

14.6.2. Receipt of all required approvals from the Stock Exchange, including listing for trading of the Exercise Shares that will result from the exercise of the Options.

14.7. Information about agreements between the offeree and the shareholders or with other offerees in the Company

To the best of the Company's knowledge, there are no agreements between the Chairman and a shareholder in the Company regarding the purchase or sale of the Company's securities or regarding voting rights therein.

For information about prevention or restriction of transactions in the offered securities that will apply to the offeree, in accordance with the bylaws of the Stock Exchange in Israel, under any law or obligation undertaken by the offeree, to the best of the Company's knowledge, see section 20.8.19 below, which will apply also to the Chairman, mutatis mutandis.

14.8. Grant date of the Options

The grant date will be on the day of the general meeting's approval, provided that all the approvals for the grant are received (and if these approvals have not been received before that date, the actual grant date will be determined as one business day after all the approvals are granted. The grant is subject to receipt of all the approvals required by law, including that of the Tax Authority (including tax decisions), as required, and the approval of the Stock Exchange for listing of all the shares that will result from the exercise of the Options.

14.9. For information about the powers of the Plan Administrator, see section 20.8.21 below, which will also apply to the Chairman, mutatis mutandis.

15. Summary of the terms of office

15.1. Below is a summary of the maximum annual compensation expected for Mr. Hoz, according to the terms of office, for serving for a full calendar year and assuming that the equity compensation is distributed linearly over the 3 years of vesting (in terms of gross salary, in thousands of NIS), which are submitted for approval by the general meeting. On April 24, 2022, the shareholders' meeting approved the terms of office of the Chairman of the board of directors (hereinafter: "**2022 Meeting Approval**")⁸, and since the Compensation Policy allows the payment of remuneration to an active Chairman of the Board of Directors corresponding to the policy provisions applicable to the CEO, it is clarified that the management fees of the

⁸ Immediate report on the meeting published by the company on March 17, 2022 (reference number: 2022-01-026664), and the immediate report on the results of the meeting published by the company on April 24, 2022 (reference number: 2022-01-041364).

Chairman of the Board of Directors is attached to the consumer price index starting from the date of approval of the 2022 Meeting and onwards.

Compensation recipient					Compensation for services						Total	
Name	Position	Scope of position	Holding rate in Corporation's equity (%)	Management fee	Annual bonus	Special bonus	Equity compensation					
Dan Hoz	Chairman of the Board	35%	-	516	97	-	70 ⁹		-	-	-	680

15.2. The ratio between variable components and fixed components

The ratio according to the data expected for 2023 (given theoretical eligibility for the maximum ceiling¹⁰ for the annual grant for 2023 and the cost of the capital compensation of the allocation is proposed for one year each linear basis) between the annual cost of the variable components and the total annual cost of the terms of office and employment of the CEO for the year 2023 will be about 24%.

15.3. The ratio between the terms of office of the Chairman and the terms of employment of the Company's employees

The cost of Mr. Hoz's terms of office and employment expected for 2023 (given theoretical eligibility for the maximum ceiling in respect of the annual grant for 2023 and deducting the share return component or equity compensation) is 2.0 times the average cost and 2.7 times the median cost of the terms of employment of the Company's employees¹¹ (including other officers in the company) except for the Chairman, based on the data for 2022).

16. **Process of approving the resolution on the approval of the terms of office of the Chairman and the grounds for approval by the Compensation Committee and the Board of Directors**

16.1. In the meetings of the Compensation Committee and the Board of Directors, among others, the following data and information were reviewed and examined:

16.1.1. The Compensation Policy and the Option Plan;

16.1.2. The terms of office of the Chairman;

16.1.3. The terms of employment of Company employees (including the data required for reference under the Companies Law);

16.2. The members of the Compensation Committee who attended the committee meeting that approved the terms of office are: Lee-Bath Nelson (Chairman of the committee and external

⁹ The amount in the equity compensation represents the theoretical annual expense (on a linear basis) of the new options whose approval is requested in this report, against the cancellation of the options granted in April 2022. Since the grant of the options is equal to the value of the canceled options, no additional expense will be recognized net for this grant.

¹⁰ Does not include a special bonus which, to the extent granted, will be brought to the approval of the shareholders meeting.

¹¹ The Company does not regularly employ contractor workers, except rarely and for limited and fixed periods of time. Accordingly, examining the relationship between the terms of office and employment of the CEO of the Company and the terms of employment of the contractor's employees is not relevant.

director), Shalom Turgeman (independent director) and Barak Mashraki (external director).

- 16.3. The members of the Board of Directors who attended the Board meeting that approved the terms of office are: Nataly Mishan-Zakai, Eyal Eshed, Lee-Bath Nelson, Barak Mashraki and Shalom Turgeman.
- 16.4. The following are the grounds cited by the Compensation Committee and the Board of Directors for approving the terms of office of the active Chairman:
 - 16.4.1. Since the Chairman has already been awarded the full equity grant for the compensation years 2022-2024, it will be possible to grant the Chairman an additional equity grant for these years without exceeding the terms of the Compensation Policy if there is a change in the scope of the position, or if the previously granted award is canceled (then a renewed grant will be according to the value of the canceled grant at the time of cancellation). In light of the fact that the exercise price of the options granted to Mr. Hoz in accordance with the approval of the Company's shareholders' meeting of April 24, 2022 (NIS9.229) is significantly higher than the price of the Company's shares, which was, as stated, approximately NIS4.525 on the eve of the approval of the Board of Directors, and in light of the fact that the Company believes that effective equity compensation is incentivizing and is important for increasing the alignment of interests between the officers and shareholders in the long term, it is recommended to approve the cancellation of the aforementioned options and the granting of new options at the value of the options that will be canceled. Since the grant is equal to the value of the canceled options as of the date of the Board's approval, no expense will be recognized in the Company's books of account for the cancellation and re-grant. The vesting period for the new options will start anew from the date of grant and will not continue the period that has passed since the previous options were granted.
 - 16.4.2. Mr. Hoz has proven, diverse managerial, business and financial experience of many years in the fields of technology.
 - 16.4.3. The approval of the grant of the options to Mr. Hoz is consistent with the Company's Option Plan and is intended to incentivize and increase the identity of interests between Mr. Hoz and the shareholders and to create a commitment by Mr. Hoz to the Company in the long term. Granting such Options is consistent with the wellbeing of the Company and will increase Mr. Hoz's sense of identification with the Company. The scope of the grant and its value are reasonable and acceptable under the circumstances.
 - 16.4.4. The recommendation to approve the grant of options to Mr. Hoz was made after reviewing and addressing the relationship between Mr. Hoz's terms of service as Chairman of the Board and the wage cost of the Company's other employees. The Compensation Committee assesses that disparity in compensation will have no effect on the labor relations in the Company, inter alia because of the complexity of Mr. Hoz's responsibilities.
 - 16.4.5. The exercise price includes an additional premium of 10% and is an incentive to increase the value of the Company.
 - 16.4.6. In view of the entirety of the above considerations, the approval of grant of options

to the Chairman is reasonable and fair under the circumstances.

16.4.7. There were no objections to the approval of the said grant.

17. **The identity of the controlling shareholder and the rights conferring control**

As set forth in section 22 of Part D below.

18. **The names of the directors with a personal interest and the nature of their personal interest**

Except for the Chairman of the Board of Directors of the Company, whose terms of office as Chairman of the Company's Board of Directors are brought for approval in the resolution stated in section 1.1 above, none of the members of the Board of Directors has a personal interest in the resolution.

Part C – More information about the Resolution in Section 1.2 - Terms of Service.

Approval of a Discretionary Bonus to Mr. Dan Hoz, the Company's Chairman

19. Background

- 19.1. In accordance with the Company's Compensation Policy, which was approved by the shareholders' meeting on December 27, 2021, the discretionary bonus component will be based on an assessment of the officer's performance and performance in the year of the grant. In any case, the discretionary annual bonus component will not exceed 3 monthly salaries. It should be noted that the Compensation Policy states that in the event that compensation is paid to an officer as a service provider, the payment ceiling to him will be calculated according to the ceiling of the salary cost for an employee for the Company in his position (with the necessary adjustments), and the principles of the Compensation Policy will apply to him, mutatis mutandis.
- 19.2. On May 17, 2023, the Company's Board of Directors approved, following the approval of the Compensation Committee of March 6, 2023, a discretionary bonus component in the amount of NIS 80,413 (which is equivalent to 2.5 times monthly salaries in accordance with the compensation received by the Chairman of the Board according to the calculation mentioned in section 19.1 above)
- 19.3. The reasons for approving the grant of a discretionary bonus component to the Chairman of the Board of Directors:
 - 19.3.1. Mr. Hoz has proven, multi-year and diverse managerial, business and financial experience, including in the fields of technology.
 - 19.3.2. The approval of the grant of the discretionary bonus component to the Chairman of the Board of Directors is in accordance with the Company's Compensation Policy, and is intended to increase the satisfaction and motivation of the Chairman of the Board of Directors and to retain him as a high-quality officer in the Company.
 - 19.3.3. The approval of the award of the discretionary bonus component was brought follow the Compensation Committee and the Board of Directors discussed the energetic activities of the Chairman of the Board of Directors to promote the Company's business.
 - 19.3.4. In light of the above set of considerations, approval of the awarding of the discretionary bonus component to the Chairman of the Board of Directors is reasonable and fair under the circumstances of the matter.
 - 19.3.5. There were no objections in the Compensation Committee and the Company's Board of Directors to the approval of the granting of the discretionary bonus component to the Chairman of the Board of Directors.

Part D – More information about the Resolution in Section 1.3 – Approval of the Grant of Options for Company Shares to the Company’s Chief Executive Officer

20. **Background**

- 20.1. Mr. Yaron Elad has been serving as the Company’s CEO from March 1, 2020. Prior to his appointment as the Company’s CEO, he served as the Company’s CFO from January 2010 to February 2020.
- 20.2. In accordance with the provisions of the Compensation Policy, during the Compensation Policy period, the Company may approve or act in accordance with plans for granting equity compensation to officers.
- 20.3. On May 17, 2023, following approval and recommendation of the Compensation Committee, the Board of Directors approved a grant the CEO non-tradable options exercisable to ordinary shares of the company of NIS 0.003 par value each, in the amount as stated in section 20.10 below (hereinafter in this Chapter C: the “Options” or the “Option Grant”) as part of the Option Plan and in accordance with its terms.
- 20.4. It should be noted that, in addition, the Company's Board of Directors decided at that time, following the approval of the Compensation Committee and according to its recommendation, to grant options to the Chairman of the Board in accordance with the Company's Compensation Policy as detailed in Part B above; and to grant options (including within the framework of cancellation and grant) to other officers as well (non-directors), to employees and service providers in the Company. For more details, see the Company's Immediate Report regarding a non-material private placement in accordance with the private placement regulations published by the Company on May 17, 2023 (reference number: 2023-01-045334).
- 20.5. The allocation of the Options to the CEO under the Option Plan will be made as a grant in the tax track through a trustee, as defined in section 102(b)(2) of the Income Tax Ordinance, and subject to income the Income Tax Rules, and the Options will be granted in accordance with the Option Plan and the Compensation Policy.
- 20.6. Scope of grant, value and quantity of the Options – In accordance with the Compensation Policy, and in accordance with the resolutions of the Compensation Committee and the Board of Directors, the grant to the CEO will be made in terms of grant year, with the economic value of the Options granted to the CEO for the year 2023 (on a linear basis, not accounting basis) will be at the value of the equity compensation ceiling under the Compensation Policy: 9 times gross monthly salary.
- 20.7. Approval and grant date – the allotment of the Options to the CEO was approved by the Compensation Committee and the Board of Directors and is subject to the approval of the general meeting by a special majority set forth in section 267A of the Companies Law. The grant date will be the date of approval by the general meeting, provided that all approvals for the grant are received (and if these approvals are not received before the meeting’s approval date, the actual grant date will be determined one business day after all the approvals are received). The grant is subject to receipt of all approvals required by law, including the approval of the Tax Authority (including tax decisions), as required, and the approval of the Stock Exchange for listing all the shares resulting from the exercise of the Options.

20.8. Information pursuant to the Private Placement Regulations

The allotment of Options to the CEO is a “Material Private Placement” as defined in Article 1 of the Private Placement Regulations.

20.8.1. Offeree Identity

Mr. Yaron Elad, the Company’s CEO. The offeree, is not an “Interested Party”, as defined in section 270 of the Companies Law. The offeree is an interested party in the Company by virtue of his position, as this term is defined in the Securities Law.

20.8.2. The terms of the securities offered to be issued, their quantity and the percentage they will constitute of the voting rights and the issued and paid-up share capital of the Company after the allotment and on a fully diluted basis.

The CEO will be allotted 593,631 Options, which, subject to the vesting terms, will be exercised into up to 593,631 shares, constituting 1.15% of the Company’s voting rights and issued and paid-up capital after the allotment (1.03% fully diluted).¹²

The number of Options to be granted to the CEO was set on May 17, 2023, when the economic value of the Options that will be granted to the CEO for the year 2023 (on a linear basis, not accounting basis), will be at the ceiling value of the equity compensation under the Compensation Policy: 9 times gross monthly salary.

20.8.3. Rights as shareholder

The shares that will result from the exercise of any Options exercised under the Option Plan (hereinafter: the “**Exercise Shares**”) will have equal rights to the Company’s shares for all intents and purposes and will be entitled to any dividend or other benefit, such that the date determining the right to receive them applies on the date of allotment of the Exercise Shares or thereafter.

In any event where the offeree is entitled to receive rights and/or bonus shares and/or any other right granted to the offeree by virtue of the Options and/or the Exercise Shares (hereinafter: the “**Rights**”), in accordance with the provisions of the Option Plan, and provided that on the record date on which the Rights were allocated, the Options and/or the Exercise Shares were held by the trustee, then the Rights (if any) will be transferred to the trustee, which will withhold tax at source according to applicable law, if and as applicable, and all the Rights will be allocated to the trustee for the benefit of the offeree and will be held by the trustee at least until the end of the blocking period (as defined in section 8.2 to the Option Plan) of the Options with respect to which the Rights were granted, and the tax route terms will apply to these additional Rights.

In any event that the Company distributes a cash dividend and on the record date for the dividend distribution, the trustee held Exercise Shares for the offeree, the Company will pay the dividend to the trustee in respect of such shares. The trustee who receives the dividend in respect of the said shares for each offeree will deduct tax, if and to the extent that it has not yet been deducted, and will transfer the dividend it received for each share to the offeree for which it is held, in accordance with the instructions of the administrator of the plan, subject to the provisions of the law, to terms of section 102

¹² It is clarified that this is the maximum number of Exercise Shares and a maximum holding rate in the capital and voting rights deriving from the Exercise Shares and in light of a net exercise mechanism. In practice, the holdings will be lower in view of the net exercise mechanism as stated in section 20.8.8 below

and to the rules of Section 102 and in accordance with the tax authorities guidelines.

For adjustments in respect of the distribution of a dividend prior to exercise of an option, see section 20.8.4 below.

20.8.4. Adjustments

20.8.4.1. Should the Company distribute to its ordinary shareholders, during the Option Period (as defined in section 20.8.9 below), bonus shares, the rights of the offeree will be reserved as follows: immediately after the record date of the distribution of the bonus shares (hereinafter for this section the “**Effective Date**”), the number of shares resulting from the exercise of Options will increase by the number of shares that the offeree would have been entitled to as bonus shares had he exercised the Options (which were not yet exercised) prior to the Effective Date for the distribution of the bonus shares. The exercise price of each option will not change as a result of the increase in the number of Exercise Shares to which the offeree is entitled following the distribution of bonus shares.

It is hereby clarified that the number of Exercise Shares to which the offeree is entitled will be adjusted only in the event of the distribution of bonus shares, as stated in this subsection above, but not in the case of any other offerings (including issuances to interested parties). It is also clarified that the offeree’s right to increase the number of shares due to the distribution of bonus shares as aforesaid will apply in practice only in respect of Options actually exercised by the offeree under the terms of the Option Plan.

The Company will maintain a sufficient number of ordinary shares of NIS 0.003 par value in its registered capital, to ensure the execution of the right to exercise the Options offered by it and, if necessary, increase its registered capital. The said provisions will be subject to a tax ruling of the Tax Authority, if any. It is also clarified that other provisions in the Option Plan relating to the Exercise Shares will also apply to the bonus shares which will be added to the Exercise Shares as aforesaid, mutatis mutandis.

20.8.4.2. Unless otherwise determined in accordance with the authority of the Administrator under the Option Plan, in any case of a merger, split and/or other restructuring of the Company, the Options or the Exercise Shares held by the trustee, which were allotted under the Option Plan will be canceled and/or sold and/or exchanged and/or converted in exchange for cash or in exchange for alternative options and/or an alternative share of the Company or of the new company, as the case may be, and following a merger, split and/or other restructuring of the Company as aforesaid, an action and/or adjustment will be made in connection with the Options or the Exercise Shares held by the trustee, and their terms (including the possibility to pay in consideration thereof a certain sum as determined by the Board of Directors), all subject to the absolute discretion of the Company’s Board of Directors, subject to the provisions of the options grant letter and to additional approvals as required by law, and without obtaining the consent of the offeree, including with respect to one or more of the following:

(a) If and how the vesting period of the unvested Options will be

accelerated and if the Options whose vesting period is not accelerated, will be canceled, sold, redeemed by the Company or exchanged for options of another company, and to accordingly perform changes in the exercise price, if and to the extent required;

- (b) If and how vested Options (including Options whose vesting period has been accelerated as aforesaid) will be canceled, exercised, exchanged and/or sold by the trustee or the Company (as the case may be) for the offeree;
- (c) How the Exercise Shares held for the benefit of the offeree by the trustee will be exchanged and/or sold and/or converted by the trustee for the offeree; and also
- (d) Prescribe any instruction and carry out any action and/or adjustment in connection with the Options and their terms, to the extent required by its discretion.

20.8.4.3. In the event of an issuance of rights by the Company to the shareholders, the exercise price will be adjusted to the rights' benefit component, such that the exercise price will be divided by the rights' benefit component. For this purpose, the "rights benefit component" means: the ratio between the closing price of the share on the Stock Exchange on the last trading day before the "x" date and the base price of the share "x rights".

20.8.4.4. If the Company distributes a cash dividend to all of its shareholders, and the date determining the right to receive this dividend applies after the date of grant of the Options, but before their actual exercise date, the exercise price of each option not exercised before the end of the above effective date will be reduced by the full amount of the gross dividend per share which was distributed. It is hereby clarified that if the Company distributes a cash dividend as stated in foreign currency, the gross amount of the dividend per share that will be deducted as aforesaid from the exercise price will be calculated in the currency in which the exercise price was determined, at the representative rate of the said effective date or alternatively at the representative rate on the payment date of the dividend. For the avoidance of doubt, the exercise price will in no event be less than the par value of the share.

20.8.4.5. In any event of a split or consolidation of the Company's share capital, the Company will make the necessary changes or adjustments to prevent dilution or an increase in the offeree's rights under the Option Plan with respect to the number of Exercise Shares in respect of Options not yet exercised by the offeree and not yet expired and/or in relation to the exercise price of each Option.

20.8.4.6. In the event that as a result of an adjustment specified above, the Company is required to allocate fractions of a share, the Company will not allocate fractions of a share, and the number of rights allocated to the offeree will be rounded to the nearest whole number (upward or downward, as the case may be).

20.8.4.7. It is hereby clarified that no conversion of Options into shares of the Company will take place on the record date for distribution of bonus shares,

dividend distribution, rights offering, capital consolidation, split or capital reduction (each of which will be called a “**Company Event**”).

Moreover, it is clarified that where the x-day of a Company Event occurs prior to the record date of a Company Event, no conversion will be made on the aforesaid “x-day”.

20.8.4.8. It is clarified that the aforesaid in section 20.8.4 above is subject to the instructions of the Stock Exchange and of any other stock exchange on which the Company’s shares will be traded, as will be from time to time.

20.8.5. The price of the offered securities and their price on the Stock Exchange of the same series on the day preceding the date of publication of the immediate report, and the ratio between them

20.8.5.1. The Options will be allotted to the offeree for no consideration at the time of their allotment and the exercise of the Options into shares.

20.8.5.2. In accordance with the Compensation Committee’s and Board of Directors’ resolutions, the exercise price of all Options as set forth in section 20.10.7 below, will be the higher of the average share price in the 30 trading days prior to the approval of the Board of Directors and the share price at the end of the trading day on May 16, 2023, the last trading day prior to the date of the Board of Directors’ resolution (NIS4.525) plus a premium of 10%, namely NIS4.978 (the “**Exercise Price**”). The closing price of the Company’s share on the Stock Exchange on May 22, 2023, is NIS4.855 (hereinafter: the “**Closing Price**”). The ratio between the Closing Price and the Exercise Price is 1:1.025

20.8.6. The Vesting periods and the Option Grants

20.8.6.1. Subject to the CEO being employed or providing services and serves as an officer on the basis of service provision in the Company or any of the companies in the Company Group¹³ upon the vesting date of each tranche (unless the termination of the term of service for the Company or company within the Company Group was the result of death or disability (as defined in the Option Plan))¹⁴:

- (a) 1/3 of the Options will vest after one year of their allotment date;
- (b) 1/3 of the Options will vest after two years of their allotment date;
- (c) 1/3 of the Options will vest after three years of their allotment date;

The number of Options in every tranche will be rounded down for each fraction of an option lower than 0.5 and rounded up for each fraction of an option equal to or greater than 0.5.

20.8.7. Accelerated Vesting in the case of a change of control or similar events

In the grant letter to be provided to the CEO it will be stated that, without derogating from the powers of the Option Plan’s Administrator,¹⁵ in the situations set forth below, the Options allotted to the CEO in accordance with the Option Plan and which

have not yet vested, will vest as follows:

- 20.8.7.1. In any case where the Company's current controlling shareholder, (DIC) ceases to be the controlling shareholder(s), the next unvested installment shall vest. For this purpose, "**Control**" is as defined in the Securities Law.

¹³ The "Company's Group" is defined in the Company's current Compensation Policy as "the Company and/or a subsidiary and/or related companies and/or held companies and/or controlling shareholder in the Company and/or partnerships held and/or managed by the Company, including dedicated investment fund/s in which the Company and/or corporations from the Company's Group will hold at least 40% of the issued and paid-up capital of their general partner and/or will manage them.

¹⁴ In accordance with the provisions of the Option Plan, any period during which the offeree is on unpaid leave (except in cases of maternity leave, illness or absence due to military reserve service) will be added to the vesting period above, and the vesting dates will be postponed accordingly.

¹⁵ As the term is defined in the Option Plan: "The company's Board of Directors or the Compensation Committee of the Company or another committee (of 2 members or more) appointed by the Company's Board of Directors and authorized by it to manage this plan and in accordance with any law."

20.8.7.2. Any change of control resulting in the Company's shares ceasing to be traded and/or a merger of the Company with a different entity and/or sale of the Company or most of the Company's assets and/or an approval of a tender offer for all of the Company's shares, all of the then unvested Options shall vest. "**most of the Company's assets**" – asset and/or assets which are not liquid resources, whose total value constitutes at least 50% of the Company's total balance sheet in the most recent consolidated financial statements (reviewed or audited) that it published before such sale.

Furthermore, in the event of termination of the CEO with the Company as a result of death or disability, then vesting will be accelerated for the full number of Options that have been allocated and whose vesting date has not yet occurred.

20.8.8. Manner of exercising Options

20.8.8.1. Options will be exercised by way of net exercise (that is, by the value of the benefit inherent in them "cashless"), so that the exercise price will be theoretical only, for the purpose of calculating the value of the benefit in accordance with the provisions of the Option Plan and will not be actually paid by the CEO.

20.8.8.2. Exercise of the Options by the offeree will be done by sending a written exercise notice signed by the offeree to the Company's registered office and to the trustee, which will include, among other things, the offeree's name and ID number, and the number of Options the offeree wishes to exercise and the exercise price for them (hereinafter: the "**Exercise Notice**"). The Exercise Notice will be delivered to the Company and to the trustee (as the case may be) on a trading day only until 13:00 and in such case the Exercise Notice will be deemed received on that trading day, and if received after 13:00, the Exercise Notice will be deemed to be received on the first trading day thereafter (hereinafter: the "**Exercise Notice Receipt Date**"). The Option Plan Administrator may change the wording of the Exercise Notice or the manner of its delivery.

20.8.8.3. On the first trading day after the Exercise Notice Receipt Date (hereinafter: the "**Exercise Day**"), the Company will allot the Exercise Shares to the trustee (depending on the appropriate trust period) or the offeree, as the case may be, provided that the Exercise Notice is received complete and signed by the offeree and the exercise consideration is paid in full. In accordance with the net exercise mechanism, the number of Exercise Shares will be calculated according to the following formula:

$$\frac{(A \times B) - (A \times C)}{B}$$

A = Number of Options that the offeree seeks to exercise and is stated in the Exercise Notice;

B = The closing price in ILS of the Company's share on the Stock Exchange on the trading day preceding the Exercise Day;

C = The exercise price in ILS for each Option as stated in the grant letter;

20.8.8.4. In any case where as a result of the above calculation, the Company will be required to allot share fractions, the Company will not allot share fractions and the number of shares allotted to the offeree will be rounded down for each share fraction less than 0.5, and upwards for each share fraction that is equal to or higher than 0.5.

20.8.8.5. In each allotment of Exercise Shares, the Company will capitalize to share capital the par value of the Exercise Shares to be allotted, from Profits, as defined in section 302(b) of the Companies Law, from share premiums or from any other source included in shareholders' equity, in its financial statements, all according to and subject to the provisions of section 304 of the Companies Law.

20.8.9. Option period

20.8.10. The Options granted to the CEO will be exercisable from the date of their vesting and up to 5 years from the date of grant for (5) years (hereinafter: the "**Option Period**").

20.8.11. End of Contract

20.8.11.1. In the event of termination of employment of, or service by, the offeree to the Company for any reason (hereinafter: "**End of Engagement**") that is not explicitly described in this section 20.8.11, then the offeree's right to exercise Options granted to him under the Option Plan shall only be for such Options for which the right to exercise has been vested until the date of termination of the employment or service, and they may be exercised if they have not expired earlier, on the earlier of: (a) 90 days from the date of termination of the employment or service, as the case may be; or (b) the expiration date of the Option Period. The offeree's entitlement to the remaining Options granted to him shall expire.

20.8.11.2. Termination of employment or service for Cause

The Option Plan Administrator may prescribe limitations on the exercise of Options, including provisions regarding cancellation of grant of Options, whether vested or not, granted to the offeree, if his employment by or service to the Company (or any related company, as the case may be) is terminated for Cause¹⁶.

20.8.11.3. Change of place of employment

Unless otherwise determined by the Option Plan Administrator, the offeree's right to the Options granted to him under the Option Plan or the right to its vesting shall not end or expire only as a result of the fact that the offeree has relocated to serve as an employee or officer or service provider at the Company and/or a related company or vice versa or from a related company to another

related company.

20.8.11.4. Exceptions

In exceptional cases relating to the end of employment relations between the Company or a related company and a specific offeree or events related to the Company itself, the Option Plan Administrator may, at its sole discretion, extend the periods specified in sections 20.8.11.1 to 20.8.11.3 above.

20.8.12. The Trust Arrangement and the Offeree's Taxation

20.8.12.1. The Options shall be allocated to the offeree in accordance with the provisions of section 102 of the Ordinance and the rules thereof according to the capital gains through a trustee tax track, as defined in section 102(b)(2) of the Ordinance. According to the Company's Option Plan and Compensation

¹⁶ "Cause" - in connection with the termination of an employer-employee relation of an offeree or termination of service or tenure of an offeree at the Company or at a related company - cause or basis for termination of such employment or service or tenure, for an act or omission that denies severance pay in accordance with the provisions of the law, including but not limited to: dishonesty towards the Company or a related company, non-compliance, malice, breach of fiduciary duty, disclosure of confidential information about the business of the Company or a related company, behavior that harms the business of the Company or a related company, and material breach by the offeree of: (1) the employment or service agreement, (2) any other obligation to the Company or the related company.

Policy, including the provisions under section 8.2 of the Option Plan regarding the provisions pertaining to tracks of grant through a trustee, the Options shall be allotted to a trustee who shall hold the Options in trust for the offeree and the Exercise Shares following the exercise of the Options.

- 20.8.12.2. The blocking period of the Options for the purposes of the tax provisions, and without derogating from the provisions of section 20.8.6 above, shall be 24 months from the date of allotment of the Options to the trustee for the benefit of the offeree, or for a different period, as shall be determined in any amendment to section 102 of the Ordinance and the rules that shall apply to the offeree (hereinafter “**Trust Period**” or “**Blocking Period**”).
- 20.8.12.3. During the Trust Period and subject to the terms of section 102 and to the rules, an offeree shall not be able to receive from the trustee Options or Exercise Shares granted and/or exercised pursuant to the Option Plan, to sell such Options or Exercise Shares, or to perform any action with respect to the Options or the Exercise Shares as aforesaid, including following their vesting period, unless an appropriate approval has been received from the tax authorities, including confirmation of the continued application of the exemption under section 102 of the Ordinance with regard to the said Options and/or Exercise Shares. If the offeree will instruct to sell or transfer from the trustee the Options or the Exercise Shares as aforesaid before the end of the period (hereinafter: “**Breach**”), the Offeree shall pay all the taxes due to the Breach pursuant to section 7 of the section 102 rules. Until all taxes are paid pursuant to section 7 of the section 102 rules, such rights may not be transferred, assigned, pledged or mortgaged, and the offeree shall not be able to grant any power of attorney or transfer deed, whether for immediate or future use, except for actions as stated in section 20.8.19.5 below and subject to its provisions.
- 20.8.12.4. The Exercise Shares and the additional rights that were allotted by the Company to the trustee shall be held by the trustee in favor of the offeree for a period not to exceed 3 years from the date of termination of the Option Period. The Option Plan Administrator shall instruct the trustee as to the manner of transfer of the Exercise Shares and the aforesaid additional rights to the offeree.
- 20.8.12.5. The Option Plan will be subject to, construed by and shall comply with all the requirements of the Ordinance as a whole, and section 102 and the section 102 rules in particular, and any written approval from the Israeli tax authorities. All tax implications in accordance with any law deriving from it, inter alia, as a result of the grant or allocation of Options (or any other security that is allocated under the Option Plan) by or for the offeree, shall be paid by the offeree. The offeree shall indemnify the Company and/or the trustee and/or a related company, as the case may be, and shall hold them harmless for any liability for any payment of any tax or fine, interest or indexation. If the Company chooses to grant Options under the terms of the income tax route without a trustee, and if before the exercise of any or all of the aforesaid Options, the offeree ceases to be an employee, service provider, officer or director of the Company or of the related company, the offeree shall submit the Company with a guarantee or any other security required by law for securing the payment of the appropriate tax upon the exercise of the said Options.

20.8.13. The issued and paid-up capital of the Company

The issued share capital of the Company prior to the allotment specified in this report is 51,920,867 ordinary shares of the Company of NIS0.003 par value each.

20.8.14. The holdings of interested parties and officers in the Company as of the Report date

Holder	As of March 31, 2023 (prior to allotment of the Options stated in this Report)		Immediately after the private placement		After the private placement allotment and on the assumption of exercise (by the offeree) of all the options offered ¹⁷		Fully diluted (exercise of all the Company's convertible securities existing and being offered) ¹⁸	
	Number of shares	% of capital and voting	Number of shares	% of capital and voting	Number of shares	% of capital and voting	Number of shares	% of capital and voting
Discount Investments Ltd.	31,194,982	60.08	31,194,982	60.08	31,194,982	60.08	31,194,982	52.65
Excellence Investments Ltd – Mutual Funds	444,998	0.86	444,998	0.86	764,548	1.47	764,548	0.75
The Phoenix Holdings Ltd- Provident Funds	4,724,460	9.10	4,724,460	9.1	4,350,868	8.38	4,350,868	7.97
The Phoenix Holdings Ltd – Nostro	139,388	0.27	139,388	0.27	92,863	0.18	139,388	0.24
Excellence Investments Ltd - Market Maker	1,445	0.00	1,445	0.00	927	0.00	1,445	0.00
Dan Hoz	-	-	-	-	924,799	1.75	148,618	0.25
Yaron Elad	43,000	0.08	43,000	0.08	43,000	0.97	2,361,507	3.99
Niv Levy	34,600	0.07	34,600	0.07	34,600	0.07	1,050,666	1.77
Elik Etzion	-	-	-	-	-	-	1,018,463	1.72

¹⁷ It is clarified that this is the maximum number of Exercise Shares and the maximum holding rate in the capital and voting rights deriving from the Exercise Shares and in view of the net exercise mechanism in place. In practice, the holdings will be lower in view of the net exercise mechanism.

¹⁸ Including the exercise of options granted for other officers of the Company, employees and service providers who are not directors, as stated in section 20.4 above.

20.8.15. Details of the compensation

The Options will be allocated to the CEO without any monetary compensation as part of the terms of office and employment. As stated above, the exercise price is theoretical only and will not actually be paid to the Company.

20.8.16. The name of any substantial shareholder or officer of the Company which, to the best of the Company's knowledge, has a personal interest in the consideration and the nature of the personal interest of each of them.

To the best of the Company's knowledge, except for the CEO's personal interest in the allotment of the Options, no substantial shareholder or officer of the Company has a personal interest in the compensation. It should be noted that in parallel to the approval of the Options to the CEO, the Board of Directors approved grant of Options to other officers of the Company.

20.8.17. The required approvals or the conditions set for executing the allotment under the offer, were they accepted or met? If not, when are they expected to be accept or met?

The allotment of the Options to the CEO pursuant to this Report will be made after receiving the cumulative approvals listed below, of which receipt is a necessary prerequisite for making the allotment to the offeree:

20.8.17.1. Certifications of the relevant institutions in the Company as required by law. On May 17, 2023, the Company's Board of Directors approved the allotment of the Options, following the approval of the Compensation Committee. Accordingly, the approval of the general meeting, being convened under this Report, is required.

20.8.17.2. Receipt of all required approvals from the Stock Exchange, including listing for trading of the Exercise Shares that will result from the exercise of the Options.

20.8.18. Information about agreements between the offeree and the shareholders or with other offerees in the Company

To the best of the Company's knowledge, there are no agreements between the CEO and a shareholder in the Company regarding the purchase or sale of the Company's securities or regarding voting rights therein.

20.8.19. Description of prevention or restriction in carrying out transactions with the securities offered which will apply on the offeree, in accordance with the Stock Exchange bylaws, in accordance with law or a commitment undertaken by the offeree, to the Company's best knowledge

20.8.19.1. Pursuant to the provisions of the Securities Law and the Securities Regulations (Details regarding sections 15A to 15C of the Law), 5760-2000, the offeree will be subject to restrictions on the resale of the shares that will derive from the exercise of the offered Options pursuant to the provisions of section 15C of the Securities Law and the said Securities Regulations as shall be from time to time, when the allotment to the offeree will be deemed an allotment under section 15A(a)(1) of the Law.

20.8.19.2. Subject to what is stated in the Option Plan, the trustee will not perform any transaction or action with the Options and/or the Exercise Shares, will not transfer, assign, withdraw, foreclose or pledge them voluntarily and will not issue a power of

attorney or a deed of transfer for them, whether with immediate or future effect, other than a transfer by virtue of a probate will or by law, except following payment of the applicable tax due from their allotment or after securing such tax payment; If the shares were transferred by virtue of a probate will or by law, the provisions of section 102 and the provisions of the rules will apply to the offeree's heirs or transferees, as the case may be. The trustee will not transfer the Options to any third party, including the offeree, except in accordance with instructions received from the Option Plan Administrator.

- 20.8.19.3. The Options and all the other rights of the offeree under the Option Plan, and during the Blocking Period – the Exercise Shares and any rights deriving from them – may not be transferred, assigned, sold, pledged or foreclosed, and no right may be granted to any third party other than to transfer to heirs by law subject to the terms of the Option Plan and the Options and subject to the Blocking Period and the provisions of section 102 and the rules.
- 20.8.19.4. Prior to the payment of the applicable tax as stated in section 102 to the Ordinance and the rules, or prior to securing its payment, Options or Exercise Shares may not be transferred, assigned, pledged, foreclosed or otherwise voluntarily encumbered, and no power of attorney or transfer deed, whether immediate or of future effect, may be issued, except by virtue of a probate will or by law; If the Options or the Exercise Shares were transferred by virtue of a probate will or by law as aforesaid, the provisions of section 102 to the Ordinance and the rules will apply to the offeree's heirs or transferees.
- 20.8.19.5. Transfer of Options or Exercise Shares granted under this plan and/or rights deriving from them pursuant to a probate will or in accordance with the law will be valid and binding on the Company only after the Company has been furnished with the following notarized documents:
- (a) Written application for transfer and a copy of a legal document that creates or confirms the right of such person to act in relation to the offeree's estate and which creates or approves the right of the transferee;
 - (b) Written consent by the transferee to pay any amount in respect of the Options or the Exercise Shares and consent to pay any payment required in accordance with the provisions of the Option Plan and consent to comply with all the provisions of the Option Plan and the Options grant letter;
 - (c) Any other evidence required by the Administrator in order to establish the right to transfer the Options or the Exercise Shares granted under the Option Plan and/or any right deriving from them, and the validity of the transfer.

20.8.20. Options Grant Date

The Grant Date is as set forth in section 20.7 above.

20.8.21. The Plan Administrator's Powers

Subject to the provisions of the Law, the Company's Articles of Association, the Compensation Policy and any other resolution of the Company's Board of Directors, the Administrator or a Board of Directors' committee so authorized by the Board of Directors, will be authorized, in

its sole discretion, to exercise all powers and authorities (subject to Board of Directors' approval, if such an approval is required by law) and to interpret, whether such powers and authorities have been expressly given to them in the Option Plan or whether such powers or powers are required or desirable for the purpose of administering the Option Plan, including:

20.8.21.1. To determine:

- (a) Who will be the offerees under the Plan, number of Options to be granted to each offeree in accordance with the Compensation Policy, the vesting conditions, the vesting and lock-up periods for each offeree and the exercise price of the Options (subject to the approval of the authorized organs, if such approval is required by law);
- (b) Date(s) at which Options will be granted;
- (c) Whether, to which extent and under which circumstances, will it be possible to repay, cancel, foreclose, replace, return to the Company or waive Options or an underlying share held in trust;
- (d) Any provision or condition according to which Options are granted, in addition to those specified in the Option Plan;
- (e) Whether the Exercise Shares (all or part thereof) will be allocated out of treasury shares of the Company, including those that the Company intends to purchase for this purpose;
- (f) To resolve whether to deposit shares, in advance, in trust in the hands of the trustee, that are to be purchased for the purpose of offerees as exercise shares;
- (g) To approve adjustments in the terms of the Options whose manner of execution was not explicitly determined in accordance with the provisions of the Option Plan;
- (h) Take any measures or actions necessary or desirable for the management and implementation of the Option Plan.

20.8.21.2. Interpret any provision of the Option Plan and take any action required as a result of this interpretation, including:

- (a) In accordance with the provisions of the Option Plan for vesting acceleration, to accelerate the dates according to which the Options are to be vested;
- (b) Exercise the powers vested in it in accordance with the provisions of the Option Plan;
- (c) If necessary, to interpret and guide how each of the provisions of the Option Plan has to be implemented.

Notwithstanding the foregoing, any interpretation, resolution or action of the Administrator will not contradict the provisions of section 102 and the rules, and any waiver or amendment of a term of the Option Plan, which are not set forth under the Option Plan or under the grant letter, will not significantly derogate from the rights of the offerees under the Option granted under the Option Plan, unless

consented in advance by those offerees.

21. **Summary of terms of office and employment**

Following is a summary of the CEO's compensation, according to the proposed terms of office and employment (including the grant of Options to the CEO, insofar as they will be approved by the general meeting), under the assumption that the CEO will serve for a full calendar year and under the assumption the CEO will serve until the end of the year (in terms of gross salary, in thousands of ILS):

Compensation recipient					Compensation for services							Total
Name	Position	Scope of position	Holding rate in Corporation's equity (%)	Salary	Annual bonus ¹⁹	Special bonus ²⁰	Equity remuneration ²¹	Management fee	Consulting fee	Com-mision	Other	
Yaron Elad	The Company's CEO	100%	0.08%	1,550	835	557	278	-	-	-	-	3,220

21.1. **The ratio between variable components and fixed components**

The ratio according to expected data for 2023 (given theoretical eligibility to the maximum ceiling²² for the annual bonus for 2023) between the annual cost of the variable components and the annual total cost of the CEO's compensation terms for 2022 will be approximately 47%.

21.2. **The ratio between the terms of office of the Active CEO and the terms of employment of the Company's employees**

The cost of CEO's terms of office and employment that are expected for 2022 (given theoretical eligibility to the maximum ceiling for the annual bonus for 2020, including a special annual bonus and less the component of the share's yield or the equity compensation) is 4.2 times the average cost and 5.1 times the median cost of the terms of employment of the Company's employees²³ (including the other officers in the Company excluding the CEO, based on the data for 2022).

21.3. **Process of approving the resolution on the approval of the terms of office of the CEO and the grounds for approval by the Remuneration Committee and the Board of Directors**

21.3.1. In the meetings of the Compensation Committee and the Board of Directors, data and information were reviewed and examined as follows:

21.3.1.1. The Compensation Policy and the Option Plan;

21.3.1.2. The CEO's terms of service.

¹⁹ The actual annual bonus amount will only become clear after the end of the year depending on the results of that year. The amount indicated is the annual bonus cap to the CEO according to the proposed conditions.

²⁰ A special bonus is granted only in certain cases as specified in the Compensation Policy. The amount indicated is the maximum possible special bonus to the CEO according to the Compensation Policy.

²¹ The amount of the equity compensation is in the maximum possible value for a calendar year, whether it is granted through the allotment of options or paid in cash in accordance with the Compensation Policy.

²² Includes an annual bonus and special bonus.

²³ The Company does not regularly employ contract workers, except rarely and for limited, definite periods of time. Accordingly, an examination of the ratio between the terms of office of the CEO and the terms of employment of the contract employees is irrelevant.

- 21.3.1.3. The terms of employment of Company employees (including the data required for reference under the Companies Law);
- 21.3.2. The members of the Compensation Committee who attended the committee meeting that approved the terms of office are: Lee-Bath Nelson (Chairman and external director), Shalom Turgeman (independent director) and Barak Mashraki (external director).
- 21.3.3. The members of the Board of Directors who attended the Board meeting that approved the terms of office are: Dan Hoz (Chairman), Nataly Mishan-Zakai, Eyal Eshed, Lee-Bath Nelson and Shalom Turgeman.
- 21.3.4. The following are the grounds cited by the Compensation Committee and the Board of Directors for approving the terms of office of the CEO:
 - 21.3.4.1. The CEO has been involved in the Company's business as a senior officer in the past 16 years, and has a thorough knowledge of the Company's business and its activities. The CEO has many years of proven, varied senior managerial, business and financial experience.
 - 21.3.4.2. Approving the grant of Options to the CEO is consistent with the Option Plan and the Compensation Policy, and is intended to incentivize and increase the alignment of the interests between the CEO, to increase the satisfaction and motivation of the CEO and to retain him as a high-quality officer in the Company and to create a commitment by the CEO to the company in the long term. Granting the Options is in line with the wellbeing of the Company and will increase the CEO's sense of identification with the Company.
 - 21.3.4.3. Where options are granted for a calendar year, the share yield component in the variable equity component will not apply, and this is also expected to lead to savings in the Company's cash flow.
 - 21.3.4.4. The terms of the Options, including their amount and vesting periods, comply with the principles established for officers in the Compensation Policy of the Company that was approved by the shareholders meeting.
 - 21.3.4.5. The Option Plan and the granting of options to the CEO is intended to balance the fixed components with the variable components, the equity compensation, to ensure that the changing components do not create a conflict of interest and an incentive to take unreasonable risks. The amount of the Options on the grant date is capped in accordance with the limits set in the Compensation Policy, such that the connection between the fixed component and the variable component is maintained and there is a ceiling for the variable component at the time of grant.
 - 21.3.4.6. The recommendation to approve the granting of options to the CEO is presented after review and reference to the relationship between the terms of office and employment of the CEO and the salary cost of the other Company employees. The Board of Directors assesses that the disparities are not expected to have an effect on the Company's labor relations due to, among other things, the complexity of the CEO's responsibilities and the fact that the Options are granted, as stated, in lieu of the share yield.

- 21.3.4.7. The ratio between the fixed compensation and the variable compensation in the CEO's terms of employment is proportionate and balanced, taking into account the scope of the CEO's responsibility and the desire to incentivize the CEO in achieving the Company's goals, and is in line with the ratio set for this purpose in the Compensation Policy.
- 21.3.4.8. The exercise price is determined in accordance with the provisions of the Compensation Policy, including an added premium of 10%, and constitutes an incentive to maximize the Company's value.
- 21.3.4.9. In light of the above, the Board of Directors believes that the approval of the grant of Options to the Company's CEO is reasonable and fair under the circumstances.
- 21.3.4.10. There were no objections in the Compensation Committee and in the Company's Board of Directors to the approval of the grant of the Options to the Company's CEO.
- 21.3.4.11. There were no objections in the Compensation Committee and in the Company's Board of Directors to the approval of the said grant.

22. **The identity of the controlling shareholder and the rights conferring control**

DIC is considered to be the controlling shareholder of the Company, by virtue of DIC's holdings, as of the date of this Report, of 60.08% of the issued share capital of the Company and of the voting rights in the Company (and approximately 53.90% of the above rights on a fully diluted basis). DIC is a publicly-held Company of which shares are traded on the Tel Aviv Stock Exchange.²⁴

23. **Directors with a personal interest and the nature of their personal interest**

None of the members of the Board of Directors has a personal interest in the resolution under section 1.3 above.

Sincerely,

Elron Ventures Ltd.

The identities of the signatories of the Report on behalf of the Company and their titles:

Yaron Elad, CEO

Niv Levy, CFO

²⁴ For more information about the holdings in DIC, see the immediate report on holdings of stakeholders and senior officials, published by DIC on March 31, 2023 (reference number: 039879-01-2023).