

**ELRON VENTURES LTD.****(Formerly Elron Electronic Industries Ltd)****(the “Company”)**

February 3, 2022

**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 **Sunday, March 13, 2022, 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 the Chairman of The Board’s Terms of Office**

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

**Form of Proposed Resolution:** To approve that in consideration of the services of an active chairman of the board of directors (as a service provider and without employer-employee relations), as described in the report summoning the general meeting, Mr. Hoz will be granted options exercisable into ordinary shares of the Company, as described in Part B of the report summoning the general meeting.

## 1.2. Approval of granting Options for Company Shares to the Company's CEO

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

Form of Proposed Resolution: To approve granting options for Company shares to the Company's Chief Executive Officer as described in Part C of the report summoning 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 the end of the trading day on the Tel Aviv Stock Exchange occurring on **Sunday, February 13, 2022** (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 **Sunday, March 20, 2022** 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 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 ballot) provided that one of the following is fulfilled:

4.1.1. 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, with the requisite changes, to a shareholder who has a personal interest.

4.1.2. 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.

- 4.2. It is noted that the Compensation Committee and the Board of Directors have authority to approve the granting of the options to the Chairman as stated in sections 267A(c) and 273(b) of the Companies Act (subject to another approval of the meeting under section 273 of the Companies Act and to the CEO as stated in section 1.2 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.
- 4.3. The Company is not a "public granddaughter company", as this term is defined in section 267A(c) of the Companies Law.
- 4.4. The controlling shareholder of the Company, Discount Investment Corporation Ltd ("DIC") does not hold the majority required to pass the resolutions set forth in section 1.1 and section 1.2 above.

## 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 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 Sunday, March 13, 2022, 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 **Sunday, March 13, 2022, 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 **Sunday, March 13, 2022, 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 a proposed resolution 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 resolutions 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. Niv Levy, the Company's CFO and/or Adv. Ofer Hanoach and Adv. Tamir Lazarov of the firm Gross & Co. whose address is 1 Azrieli Center (the Round Tower, 39<sup>th</sup> floor), Tel Aviv, Telephone +972-3-6074510; fax. +972-3-6914164.

## **Part B - More information about the Resolution in Section 1.1 – Approval of the Terms of Office of the Company’s Chairman of the Board**

### **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. On January 20, 2022, the Company’s Board of Directors, following approval of the Compensation Committee and on its recommendation, approved the terms of office of Mr. Dan Hoz as active chairman of the Board (as providing services without employee-employer relations). It is noted that the Company’s compensation policy, which was approved by the general meeting of the Company on December 27, 2021 (see the report convening a meeting published by the Company on November 22, 2021 (reference number: 2021-01-100414) and an immediate report on the results of a meeting published by the Company on December 27, 2021 (reference number: 2021-01-114616) (hereinafter: the “**Compensation Policy**”), allows payment of compensation to an active chairman of the Board of Directors corresponding to the provisions of the policy applicable to the CEO. However, and even though the value of compensation does not exceed what is stated in the Company’s Compensation Policy, due to the fact that the proposed compensation is all equity, the approval of the compensation is submitted to the general meeting for approval as a decision that deviates from the Compensation Policy. The terms of office of Mr. Hoz as aforesaid are brought to the approval of the meeting as described below.
- 13.3. It is noted that in addition, the Company’s Board of Directors decided, following approval by the Remuneration Committee and on its recommendation, to grant option warrants to the Company’s CEO in accordance with the Company’s remuneration policy.
- 13.4. To complete the picture, it is noted that on January 20, 2022, the Company’s Board of Directors resolved, following approval by the Compensation Committee and on its recommendation, to grant options also to other officers (who are not directors), employees and service providers in the Company in respect of the 2022 grant year. For more information, see the immediate report of the Company regarding an immaterial private issuance in accordance with the Private Placement Regulations issued by the Company on January 30, 2022 (reference number: 2022-01-011439).

### **14. Below is a description of the Chairman’s proposed terms of office:**

- 14.1. Mr. Hoz will serve as an active chairman of the Company’s Board of Directors at a scope of position as stated below, as a service provider to the Company without employee-employer relations and under the provisions of law.
- 14.2. The term of office of the chairman is for an indefinite period of time. The parties will have the right to terminate their relations at any time by giving written notice to the other party, and the term of office will terminate as agreed between the parties, subject to the restrictions stated in the Compensation Policy.
- 14.3. In consideration of his services, it is proposed to grant the chairman of the Company’s Board of Directors, as a service provider without an employee-employer relationship at 35% position,

924,799 non-tradable options exercisable into ordinary shares of the Company of ILS 0.003 par value each (hereinafter in this Part B: the “**Options**” or the “**Option Grant**”) as part of a plan to grant options to employees and officers of the Company which was approved by the Company’s Board of Directors on November 21, 2018 and consistent with the terms of the plan (hereinafter: the “**Options Plan**”).

- 14.4. The allotment of the Options under the Options Plan will be made as a grant in the capital gain 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 Options Plan and the Compensation Policy.
- 14.5. Scope of grant, value and quantity of the Options – the scope of grant of the Options to be granted to the chairman of the Board as set forth in section 14.3 above reflects a rate of approximately 1.75% of the Company’s capital (after the grant) and is based on calculating the benefit value for a period of 36 months. The value of the Options in accordance with an economic opinion from an external advisor that specializes in executive compensation according to the Black & Scholes model and the underlying assumptions of the Fair Value as set forth in section 15.4 below. The calculation includes the following components (corresponding to the cost of the CEO’s salary):
  - 14.5.1. Monthly management fees in the amount of approximately ILS 39,170 (hereinafter: “**Value of the Monthly Management Fee**”) (equivalent to the cost of CEO’s salary + benefits multiplied by 35%); plus:
  - 14.5.2. The value of an annual cash grant in the amount of six (6) times the gross salary (annual cash bonus, without a discretionary component; this component is convertible into an equity grant in accordance with the Compensation Policy); plus: the value of equity component in the amount of nine (9) gross salaries (as stated in section 6 of the Compensation Policy).
- 14.6. As such, the value of the options granted to the chairman is equal to the value derived from the 35% scope of the position based on a gross monthly salary of ILS 85,000, as approved by the general meeting of the shareholders for the Company’s CEO on July 2, 2020, plus social benefits and plus 6 times the gross salary for the annual cash grant and 9 gross salaries for the equity compensation/share-linked bonus for three years, as described in the Compensation Policy.
- 14.7. 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 approval of the general meeting by a special majority as set forth in section 267A of the Companies Law. 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)<sup>1</sup>. 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

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<sup>1</sup> For the purpose of determining the exercise price, see section 15.3.2.

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.

- 14.8. The options will be granted to the Chairman of the Board in accordance with the terms of the Options 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 C below, with the requisite changes and as the case may be.

## 15. **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.

### 15.1. 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.

- 15.2. 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 924,799 Options, which, subject to the vesting terms, will be exercised into up to 924,799 shares, constituting 1.75% of the Company's capital (after the allotment) (1.59% fully diluted).<sup>2</sup>

As stated above, the number of Options to be granted to the chairman of the Board was set on January 20, 2022.

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 Options Plan, see section 21.8.4 below, which will also apply to the chairman, with the requisite changes.

For information about adjustments, see section 21.8.5 below, which will also apply to the chairman, with the requisite changes.

- 15.3. 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

- 15.3.1. 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.

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<sup>2</sup> 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. In practice, the holdings will be lower in view of the net exercise mechanism as stated in section 21.8.9 below.

15.3.2. In accordance with the resolutions of the Compensation Committee and Board of Directors, the exercise price of each tranche, as set forth in section 15.3.3 below, will be the average of the Company share price in the 30 trading days preceding the date of the Board's approval, namely ILS 10.734 (hereinafter: the "**Exercise Price**"). The ratio between the share price of the Stock Exchange on February 3<sup>rd</sup> and the exercise price is 1:0.98.

15.3.3. 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 Group<sup>3</sup> (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 Options Plan) as stated in section 15.3.7 below)<sup>4</sup>:

15.3.3.1. 1/3 of the Options will vest after one year of their allotment date;

15.3.3.2. 1/3 of the Options will vest after two years of their allotment date;

15.3.3.3. 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.

15.3.4. Accelerated Vesting

In the grant letter to be provided to the Chairman of the Board it will be state that, without derogating from the powers of the Options Plan's Administrator,<sup>5</sup> all the Options allotted to the Chairman in accordance with the Options Plan and which have not yet vested, will vest upon the following events:

15.3.4.1. In any case where control of the company is transferred from the current controlling shareholder in the Company (DIC) to other controlling shareholder(s). For this purpose, "**Control**" is as defined in the Securities Law.

15.3.4.2. In the event that the chairman of the Board of Directors terminates his position within 12 months from the date on which a "change of control" occurs.

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<sup>3</sup> 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.

<sup>4</sup> In accordance with the provisions of the Options 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.

<sup>5</sup> As the term is defined in the Options 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."

For the purposes of this section, “**change of control**” means one of the following

- (a) any instance in which the current controlling shareholder (DIC) will cease to be the controlling shareholder of the Company and the Company will have no other controlling shareholder(s).
- (b) merger of the Company with a different entity and/or sale of the Company or most of the Company’s assets. “**most of the Company’s assets**” – asset and/or assets which are not liquid resources and are not Cartiheal (2009) Ltd, 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.

15.3.5. For information about the manner of exercise of the Options, see section 21.8.9 below, which will also apply to the chairman, with the requisite changes.

15.3.6. 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.

15.3.7. In the event of termination of the active chairman’s engagement with the Company as a result of death or disability, the vesting of the Options will be accelerated in respect of all the Options that were allotted and for which vesting date has not yet been reached.

15.3.8. For information about the trust arrangement and the offeree’s taxation, see section 21.8.12 below, which will also apply to the chairman, with the requisite changes.

15.3.9. For information about the issued and paid-up share capital of the Company, see section 21.8.13 below, which will also apply to the chairman, with the requisite changes.

15.3.10. For information about the percentage of holdings of interested parties in the Company as of the date of the Report, see section 21.8.14 below, which will also apply to the chairman, with the requisite changes.

15.4. The fair value of the Options

15.4.1. The fair value of the Options to the chairman at the time of the approval of the Board of Directors is ILS 3,030 thousand, according to Black & Scholes model (hereinafter in this section 15: the “**Fair Value**”). For the purpose of calculating the Fair Value, the Company based its calculation on an economic opinion from an external advisor that specializes in executive compensation.

15.4.2. The calculation of the Fair Value, was based on the following assumptions:

15.4.2.1. In accordance with the decisions of the Compensation Committee and the Board of Directors, the exercise price of each Option as set forth in section 15.3.3 above will be the average of the Company’s share prices

on the Stock Exchange during the 30 trading days prior to the date approved by the Board of Directors, that is ILS 10.734.

15.4.2.2. Accordingly, the exercise price of the Options – ILS 10.734.

15.4.2.3. The expected life of the Options – for the Options granted to the Chairman a contractual term of 5 years from the date of allocation. It was assumed that the Options will be exercised on average on the date that will be the middle of the term between the vesting date and the expiration date.

15.4.2.4. Option tranches – the Options will vest in three equal tranches over three years.

15.4.2.5. Expected volatility – the Company's historical standard deviation was used for a period corresponding to the expected life of the Options to the date of allocation. The volatility that was used in calculating the Fair Value of the Option is 37% - 40%.

15.4.2.6. The exercise price of the Options is subject to adjustments for distributions of dividend and bonus shares and as such it was assumed that the expected dividend rate is 0%.

15.4.2.7. Risk-free interest rate – the interest rate take corresponds to the expected life of the Options and is based on non-CPI linked Israeli government bond data. The interest rate used in calculating the Fair Value of the Option is 0.26% - 0.37%.

15.4.3. The value of the Option is approximately ILS 3.275.

15.5. Details of the consideration

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.

15.6. 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 personal interest in the compensation. However, it is noted that concurrently with approving the grant of the Options to the chairman, the Board of Directors approved grant of options to other officers (who are not directors) in the Company.

15.7. 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:

15.7.1. Approval by the relevant institutions in the Company as required by law. On January 20, 2022, 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.

15.7.2. 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.

15.8. 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 active 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 21.8.20 below, which will apply also to the chairman, with the requisite changes.

15.9. 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.

15.10. For information about the powers of the Plan Administrator, see section 21.8.22 below, which will also apply to the chairman, with the requisite changes.

16. Summary of the terms of office

16.1. The following is a summary of the compensation expected for the chairman, according to the proposed terms of office, as approved by the general meeting, assuming that he served for an entire calendar year and assuming that he will serve through the end of the year (in gross salary terms, in thousands of ILS):

Compensation recipient				Compensation for services								Total
Name	Position	Scope of position	Holding rate in Corporation's equity (%)	Salary	Annual bonus	Special bonus	Equity compensation	Management fee	Consulting fee	Com-mision	Other	
Dan Hoz	Chairman of the Board	35%	-	-	-	-	1,010	-	-	-	-	1,010

It is clarified for avoidance of doubt, that according to the offered terms of office, Mr. Hoz will not be entitled to any additional compensation and all the compensation to which he will be entitled is the equity compensation.

It is noted that Mr. Hoz was entitled to director compensation for his tenure. According to the offered terms of office, upon grant of the Options will no longer be entitled to director compensation, and the Options that will be granted constitute the entire compensation to which he will be entitled as chairman of the Board of Directors.

16.2. It is noted that Mr. Hoz will be entitled to indemnification, exemption and insurance as existing and/or as approved by the Company from time to time to all directors and/or officers. In addition, in accordance with the accepted terms in the market for this position, the Company will pay Mr. Hoz reimbursement of parking expenses at the Company's Offices as well as reasonable expenses he will actually incur in the performance of his duties. Mr. Hoz will be paid against presenting an invoice to the Company, and there will be no employee-employer relations between the Company and the chairman of the Board, and therefore the chairman of the Board is not entitled to social benefits such as pension fund, executive insurance, etc. Mr. Hoz undertook to take care of all his own social benefits and to pay for them, and he will make all necessary payments at his own expense.

16.3. The ratio between variable components and fixed components

As stated, the entire compensation is an equity compensation, and is therefore considered a variable component.

16.4. The ratio between the terms of office of the active chairman and the terms of employment of the Company's employees

The cost of Mr. Hoz's terms of office expected for 2022 (adjusted for a 100% position) is 4.1 times the average cost and 6.1 times the median cost of the terms of employment of the Company's employees<sup>6</sup> (including the other officers of the Company excluding the active chairman, based on the data expected for 2022).

17. **Process of approving the resolution on the approval of the terms of office of the active chairman and the grounds for approval by the Compensation Committee and the Board of Directors**

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

<sup>6</sup> 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 chairman and the terms of employment of the contract employees is irrelevant.

- 17.1.1. The Compensation Policy and the Options Plan;
  - 17.1.2. The terms of office of the chairman;
  - 17.1.3. The terms of employment of Company employees (including the data required for reference under the Companies Law);
- 17.2. A comparative compensation data document prepared by a consulting firm, which collects and analyzes data with respect to the fixed compensation components and their scope in the compensation terms of chairmen of boards of directors of public companies traded on the Tel Aviv Stock Exchange with similar characteristics to the Company (the “**Comparative Document**”).
- 17.3. 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 director), Shalom Turgeman (independent director) and Barak Mashraki (external director).
- 17.4. The members of the Board of Directors who attended the Board meeting that approved the terms of office are: Doron Haim Cohen, Michael Salkind, Lee-Bath Nelson, Barak Mashraki and Shalom Turgeman.
- 17.5. 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:
- 17.5.1. Mr. Hoz has proven, diverse managerial, business and financial experience of many years in the fields of technology.
  - 17.5.2. In view of the nature of the Company’s activity in the areas of venture capital and of Mr. Hoz’s request to be rewarded with equity compensation in options only, the Board of Directors believes that such compensation under the circumstances is reasonable and creates a full link between the chairman’s compensation and the shareholders’ return on investment, and constitutes an appropriate incentive for maximizing value to the shareholders, taking into account, among other things, the risk management policy.
  - 17.5.3. The chairman’s compensation in equity compensation in options only will result in cash flow savings.
  - 17.5.4. The approval of the grant of the options to Mr. Hoz is consistent with the Options Plan and is intended to incentivize and increase the alignment of the 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.
  - 17.5.5. 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 active 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. In accordance with the Compensation Policy, reference was made to the option of determining the exercise value of equity variable components that are not settled in cash and it was decided not to set such a ceiling.

- 17.5.6. The position of the Compensation Committee and the Board of Directors with respect to the reasonability of the compensation to Mr. Hoz is based on, among others, the Comparative Document, from which arises, among others, that the allocation rate of the equity component, which constitutes Mr. Hoz's entire compensation, is within the acceptable range in the companies presented in the document, which operate in areas similar to the Company's area of activity.
- 17.5.7. The Compensation Committee and the Board of Directors approved the grant of the Options as stated on all the aforesaid grounds, also because of its being the entire compensation for Mr. Hoz's position as chairman of the Board of Directors, it constitutes an exception to the Compensation Policy.
- 17.5.8. In view of the entirety of the above considerations, the approval of the terms of office offered to the chairman of the Board of Directors by way of granting Options is reasonable and fair under the circumstances.
- 17.5.9. There were no objections to the approval of the proposed terms of office in the Compensation Committee and in the Company's Board of Directors.

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

As set forth in section 23 of Part C below.

19. **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 – 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. For information about the CEO’s tenure and terms of employment, see the summons report (supplementary) to a special general meeting of the Company dated June 29, 2020 (reference number: 2020-01-068487) and section 6 of Chapter D of the Company’s Periodic Report for 2020 published on March 15, 2021 (reference number: 2021-01-035361).
- 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.

21. **Grant of Options to the CEO**

- 21.1. It is proposed to grant the CEO non-tradable options exercisable to ordinary shares of the company of ILS 0.003 par value each, in the amount as stated in section 21.8 below (hereinafter in this Chapter C: the “**Options**” or the “**Option Grant**”) as part of the Compensation Policy and Options Plan.
- 21.2. The allocation of the Options under the Options 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 Options Plan and the Compensation Policy.
- 21.3. 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 2022 (on a linear basis, not accounting basis) will be at the full value of the equity compensation ceiling under the Compensation Policy: 9 times gross monthly salary plus 6 gross monthly salaries in lieu of a cash bonus contingent on measurable targets for the year 2022, such that for 2022, the CEO will not be paid a bonus for the equity component or a cash bonus contingent on measurable targets.
- 21.4. 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.
- 21.5. The Options will be granted to the CEO in accordance with the terms of the Options Plan.

21.6. As stated in Part B of this Report, the Company's Board of Directors resolved, after approval by the Compensation Committee and on its recommendation, to grant Options to the chairman of the Company's Board of Directors.

21.7. For details on the decision of the Board of Directors on January 20, 2022, to grant options to other officers in the Company (which are not directors) in respect of the grant year 2022, to employees and service providers of the Company see section 13.4 above.

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

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

21.8.2. **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.

21.8.3. **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 467,508 Options, which, subject to the vesting terms, will be exercised into up to 467,508 shares, constituting 0.90% of the Company's voting rights and issued and paid-up capital after the allotment (0.82% fully diluted).<sup>7</sup>

The calculation of the number of options is done as a derivative of the Fair Value based on an economic opinion from an external advisor that specializes in executive compensation according to the Black & Scholes model and the underlying assumptions of the Fair Value as set forth in section 21.8.15 below.

The number of Options to be granted to the CEO was set on January 20, 2022, when the economic value of the Options that will be granted to the CEO for the year 2022 (on a linear basis, not accounting basis), will be, as stated, at the ceiling value of the equity compensation under the Compensation Policy: 9 times gross monthly salary plus 6 gross monthly salaries in lieu of a cash bonus contingent on measurable targets for the year 2022.

21.8.4. **Rights as shareholder**

The shares that will result from the exercise of any Options exercised under the Options 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

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<sup>7</sup> 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 21.8.9 below.

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 Options 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 Options 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 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 21.8.5 below.

#### 21.8.5. Adjustments

21.8.5.1. Should the Company distribute to its ordinary shareholders, during the Option Period (as defined in section 21.8.10 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 Options Plan.

The Company will maintain a sufficient number of ordinary shares of ILS 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 Options

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.

21.8.5.2. Unless otherwise determined in accordance with the authority of the Administrator under the Options 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 Options 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.

21.8.5.3. 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".

21.8.5.4. 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.

21.8.5.5. 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 Options 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.

21.8.5.6. 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).

21.8.5.7. 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".

21.8.5.8. It is clarified that the aforesaid in section 21.8.5 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.

21.8.6. 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

21.8.6.1. 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.

21.8.6.2. In accordance with the Compensation Policy and the Compensation Committee's and Board of Directors' resolutions, the exercise price of all Options as set forth in section 21.8.7 below, will be ILS 12.17 which is the share price at the end of the trading day on January 19, 2022 (the date of the Board of Directors' resolution, ILS 11.06), plus a premium of 10% (the "**Exercise Price**").

21.8.6.3. The closing price of the Company's share on the Stock Exchange on

February 3, 2022, is ILS 10.90 (hereinafter: the “**Closing Price**”). The ratio between the Closing Price and the Exercise Price is 0.89:1.

21.8.7. The Vesting periods

21.8.7.1. 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 Group<sup>8</sup> 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 Options Plan) as stated in section 21.8.8 below)<sup>9</sup>:

(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.

21.8.7.2. The vesting periods above in this section 21.8.7 above are consistent with the provisions of the Compensation Policy for the purpose of the vesting periods of a variable equity compensation component.

21.8.8. Accelerated Vesting

The grant letter to be provided to the CEO will state that, without derogating from the powers of the Options Plan’s Administrator,<sup>10</sup> in the event the CEO’s position is terminated within 12 months of the date of a “Change of Control” event in the Company, all the Options allotted to the CEO in accordance with the Options Plan and which have not yet vested, will vest.

For the purpose of this section, “**Change of Control**” is any of the following:

21.8.8.1. In any case where the current controlling shareholder of the Company (DIC) ceases to be the controlling shareholder of the Company. “**Control**” is as defined in the Securities Law.

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<sup>8</sup> The “Company Group” is defined in the Compensation Policy as “the Company and/or subsidiaries and/or related companies and/or held companies and/or the controlling shareholder in the Company and/or partnerships held and/or managed by the Company, including a dedicated investment fund(s), in which the Company and/or corporations from the Company Group hold at least 40% of the issued and paid-up capital of the general partner therein and/or will manage them.

<sup>9</sup> In accordance with the provisions of the Options 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.

<sup>10</sup> As the term is defined in the Options 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.”

- 21.8.8.2. Merger of the Company with another entity and/or sale of the Company or of most of the Company’s assets. “**most of the Company’s assets**” – asset and/or assets which are not liquid resources and are not Cartiheal (2009) Ltd, whose total value constitutes at least 50% of the total balance sheet in the most recent consolidated financial statements (reviewed or audited) that it published before such sale .

Also, upon termination of the engagement of the CEO with the Company due to death or disability, the vesting will be accelerated for all the Options allotted and which have not yet reached their vesting date.

21.8.9. Manner of exercising Options

- 21.8.9.1. 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 Options Plan and will not be actually paid by the CEO.
- 21.8.9.2. 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 Options Plan Administrator may change the wording of the Exercise Notice or the manner of its delivery.
- 21.8.9.3. 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;

21.8.9.4. 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. The following is a numerical example for illustration only: assuming the exercise of 100 options by an offeree, where the exercise price of each option is ILS 64 and the closing price of the Company's share on the Stock Exchange on the trading day that preceded the Exercise Day is ILS 80, then the number of Exercise Shares that will be allocated to the offeree will be 20 shares.

21.8.9.5. 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.

#### 21.8.10. Option period

Unless it has previously expired under the provisions of the Options Plan, any option granted but not exercised under the Options Plan, including a vested option, will be exercisable from the date of its vesting and will expire and be revoked at the end of five (5) years from the grant date (hereinafter: the "**Option Period**"). Subject to legal approvals, the Options Plan Administrator may decide, at its sole discretion, that certain circumstances warrant an extension of the Option Period, subject to the Compensation Policy.

#### 21.8.11. End of Contract

21.8.11.1. 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 21.8.11, then the offeree's right to exercise Options granted to him under the Options 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.

#### 21.8.11.2. Termination of employment or services resulting from death or disability

In the event of termination of the employee-employer relations between the offeree and the Company or with one of its affiliated companies as a result of disability (where the definition of an offeree as suffering from disability shall be made at the absolute discretion of the Administrator) or in the event of death

of an offeree, the offeree or his heirs, as the case may be, shall be entitled to exercise within a period of 12 months from the occurrence of the said disability or death, or until the end of the Option Period, whichever is earlier (hereinafter: the “**Additional Period**”), the Options that the offeree was entitled to exercise by himself at any point in time in the Additional Period, which is not later than the end of the Option Period, as well as to receive the Exercise Shares from the trustee. The entitlement to the remaining Options allotted in favor of the offeree shall expire at the time of the end of the employer-employee relationship. In the event of transfer of the Exercise Shares to the heirs of the offeree, the heirs shall be subject to taxation pursuant to applicable law. Options that the offeree or heirs of the offeree were entitled to exercise under this section, and which were not exercised by the end of the Additional Period, shall expire at the end of this period or at the end of the Option Period, whichever is earlier.

#### 21.8.11.3. Termination of employment or service for Cause

The Options 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 Cause<sup>11</sup>.

#### 21.8.11.4. Change of place of employment

Unless otherwise determined by the Options Plan Administrator, the offeree’s right to the Options granted to him under the Options 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.

#### 21.8.11.5. 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 Options Plan Administrator may, at its sole discretion, extend the periods specified in sections 21.8.11.1 to 21.8.11.4 above.

### 21.8.12. The Trust Arrangement and the Offeree’s Taxation

21.8.12.1. 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 Options Plan and Compensation

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<sup>11</sup> “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 Options 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.

- 21.8.12.2. The blocking period of the Options for the purposes of the tax provisions, and without derogating from the provisions of section 21.8.7 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**”).
- 21.8.12.3. 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 Options 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 21.8.20.5 below and subject to its provisions.
- 21.8.12.4. 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 Options Plan Administrator shall instruct the trustee as to the manner of transfer of the Exercise Shares and the aforesaid additional rights to the offeree.
- 21.8.12.5. The Options 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 Options 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.

21.8.13. 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 ILS 0.003 par value each.

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

Holder	As of February 3, 2022 (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 <sup>12</sup>		Fully diluted (exercise of all the Company's convertible securities existing and being offered) <sup>13</sup>	
	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	53.58
Excellence - Mutual Fund loyalty	764,548	1.47	764,548	1.47	764,548	1.47	764,548	1.31
The Phoenix - Provident Fund	4,350,868	8.38	4,350,868	8.38	4,350,868	8.38	4,350,868	7.47
The Phoenix – Nostro	92,863	0.18	92,863	0.18	92,863	0.18	92,863	0.16
Excellence - Market Making	927	0.00	927	0.00	927	0.00	927	0.00
Epsilon - Mutual Fund	76,911	0.15	76,911	0.15	76,911	0.15	76,911	0.13
Dan Hoz	-	-	-	-	924,799	1.75	924,799	1.59
Yaron Elad	43,000	0.08	43,000	0.08	43,000	0.97	1,767,875	3.04
Niv Levy	34,600	0.07	34,600	0.07	34,600	0.07	1,050,666	1.80
Elik Etzion	-	-	-	-	-	-	375,616	0.65

<sup>12</sup> 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.

<sup>13</sup> Including the exercise of options granted for other officers of the Company, employees and service providers who are not directors, as stated in section 21.7 above.

#### 21.8.15. The fair value of the options

21.8.15.1. The calculation of the number of Options is done upon approval of the Board of Directors, as a derivative of the fair value of the Options to the CEO, which is ILS 1,300 thousand, according to the Black & Scholes model (hereinafter in this section 21.8: the “**Fair Value**”). To calculate the number of options that derives from the Fair Value, the Company based its calculation on an economic opinion from an external advisor that specializes in executive compensation.

21.8.15.2. The calculation of the number of Options, considering the Fair Value, is based on the following assumptions:

- (a) The exercise price of each tranche as set forth in section 27.8.7.1 above will be the higher of the average Company share price on the Stock Exchange during the 30 trading days that preceded the date of the Board’s approval and the share price at the end of the trading day that preceded the Board’s approval, plus a 10% premium on such price. Accordingly, the exercise price of the options – ILS 12.17.
- (b) The expected life of the options – the Options granted to the CEO have a contractual term of 5 years from the grant date. It was assumed that the Options will be exercised on average on the date that will be the middle of the term between the vesting date and the expiration date.
- (c) Option Tranches – the Options will vest in three equal tranches over three years.
- (d) Expected volatility – the Company’s historical standard deviation was used for a period corresponding to the expected life of the Options to the date of allocation. The volatility that was used in calculating the Fair Value of the Option is 37% - 40%.
- (e) The exercise price of the Options is subject to adjustments for distributions of dividend and bonus shares and as such it was assumed that the expected dividend rate is 0%.
- (f) Risk-free interest rate – the interest rate take corresponds to the expected life of the Options and is based on non-CPI linked Israeli government bond data. The interest rate used in calculating the Fair Value of the Option is 0.26% - 0.37%.

21.8.15.3. The value of the Option is approximately ILS 2.787.

#### 21.8.16. 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.

#### 21.8.17. 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. However, 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.

21.8.18. 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:

21.8.18.1. Certifications of the relevant institutions in the Company as required by law. On January 20, 2022, 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.

21.8.18.2. 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.

21.8.19. 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.

21.8.20. 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

21.8.20.1. 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.

21.8.20.2. Subject to what is stated in the Options 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 Options Plan Administrator.

21.8.20.3. The Options and all the other rights of the offeree under the Options 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 Options Plan and the Options and subject to the Blocking Period and the provisions of section 102 and the rules.

- 21.8.20.4. 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.
- 21.8.20.5. 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 Options Plan and consent to comply with all the provisions of the Options 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 Options Plan and/or any right deriving from them, and the validity of the transfer.

#### 21.8.21. Options Grant Date

The Grant Date is as set forth in section 21.4 above.

#### 21.8.22. 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 Options Plan or whether such powers or powers are required or desirable for the purpose of administering the Options Plan, including:

##### 21.8.22.1. 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 Options 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 Options Plan;
- (h) Take any measures or actions necessary or desirable for the management and implementation of the Options Plan.

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

- (a) In accordance with the provisions of the Options 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 Options Plan;
- (c) If necessary, to interpret and guide how each of the provisions of the Options 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 Options Plan, which are not set forth under the Options Plan or under the grant letter, will not significantly derogate from the rights of the offerees under the Option granted under the Options Plan, unless consented in advance by those offerees.

## 22. **Summary of terms of office and employment**

Following is a summary of the CEO's expected 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 (%) <sup>14</sup>	Salary	Annual bonus <sup>15</sup>	Special bonus <sup>16</sup>	Equity remuneration <sup>17</sup>	Management fee	Consulting fee	Com-mision	Other	
Yaron Elad	The Company's CEO	100%	0.08%	1,423	258	516	433	-	-	-	-	2,630

### 22.1. **The ratio between variable components and fixed components**

The ratio according to expected data for 2022 (given theoretical eligibility to the maximum ceiling<sup>18</sup> for the annual bonus for 2020) between the annual cost of the variable components and the annual total cost of the CEO's compensation terms for 2022 will be approximately 35%.

### 22.2. **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 3.4 times the average cost and 4.4 times the median cost of the terms of employment of the Company's employees<sup>19</sup> (including the other officers in the Company excluding the CEO, based on the data expected for 2022).<sup>20</sup>

### 22.3. **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**

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

22.3.1.1. The Compensation Policy and the Options Plan;

<sup>14</sup> For the purpose of the holding rate in the Corporation's capital, it is clarified that this is on the assumption of a maximum exercise and a maximum holding rate in capital and voting rights deriving from the Exercise Shares on the assumption of exercise of existing options at the price of the ceiling rate (as stated in the immediate report on a private placement issued on November 21, 2018) (reference number: 2018001-112131) and in view of the net exercise mechanism in place. In practice, the holdings may be lower if the exercise is made at a rate that is lower than the aforesaid ceiling rate. This rate does not include the shares deriving from the allotment submitted for approval.

<sup>15</sup> 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.

<sup>16</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> Includes an annual bonus and special bonus.

<sup>19</sup> 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.

<sup>20</sup> For the purpose of the equity compensation, the maximum possible value for a calendar year was taken into account, whether granted by option allotment or paid in cash in accordance with the Compensation Policy.

- 22.3.1.2. The terms of employment of Company employees (including the data required for reference under the Companies Law);
- 22.3.2. 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).
- 22.3.3. The members of the Board of Directors who attended the Board meeting that approved the terms of office are: Dan Hoz (Chairman), Doron Haim Cohen, Michael Salkind, Lee-Bath Nelson and Shalom Turgeman.
- 22.3.4. The following are the grounds cited by the Compensation Committee and the Board of Directors for approving the terms of office of the CEO:
  - 22.3.4.1. The CEO has been involved in the Company's business as a senior officer in the past 12 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.
  - 22.3.4.2. Approving the grant of Options to the CEO is consistent with the Options Plan and the Compensation Policy, and is intended to incentivize and increase the alignment of the interests between the CEO and the shareholders 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.
  - 22.3.4.3. 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. In addition, as stated, cash bonus will not be granted in respect of measurable targets component as stated in accordance with section 5 of the Compensation Policy.
  - 22.3.4.4. The terms of the Options, including their amount and vesting periods, comply with the principles established for officers in the Compensation Policy.
  - 22.3.4.5. The Options 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.
  - 22.3.4.6. 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 Compensation Committee and 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.

- 22.3.4.7. 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.
- 22.3.4.8. 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.
- 22.3.4.9. In view of all the considerations listed above, the approval of the grant of Options for the Company's shares to the Company's CEO is reasonable and fair under the circumstances.
- 22.3.4.10. There were no objections in the Compensation Committee and in the Company's Board of Directors to the approval of the grant of Options for the Company's shares to the Company's CEO.

23. **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 56.14% 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.<sup>21</sup>

24. **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 1.2 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**

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<sup>21</sup> For more information about the holdings in DIC, see the immediate report on holdings of stakeholders and senior officials, published by DIC on January 6, 2022 (reference number: 2022-01-003936).