

**ElectReon Wireless Ltd.**

**Remuneration Policy for Company Officers**

(Hereinafter: the “**Policy**” and/or the “**Remuneration Policy**”)

**ElectReon Wireless Ltd.**

**(the “Company”)**

**Remuneration Policy for Directors and Officers**

1. **Preface**
   1. The Remuneration Policy is a policy governing the terms of service and employment of the officers of ElectReon Wireless Ltd and of its wholly owned subsidiaries.
   2. Insofar as any reliefs are established in any law, regulations or orders enacted by virtue thereof after the approval of the Remuneration Policy in accordance with the Companies Law, with respect to the obligations or threshold requirements which are required to be included in the Remuneration Policy as of the approval date thereof, such reliefs should be deemed to have been included in the Remuneration Policy notwithstanding any other provision stipulated herein, all subject to approval of the Company’s board of directors.
   3. The Remuneration Policy does not create any legal rights whatsoever for any of the Company’s directors and/or officers, either present or future, against the Company, and the rights and undertakings of each director and/or officer shall be established in their contract with the Company, if any.
   4. The Remuneration Policy is drafted in the masculine language form solely for convenience purposes, but applies equally to both men and women.
   5. The Remuneration Policy does not in any way derogate from any of the provisions of the employment agreements and terms of service of the Company’s officers which have been approved prior to the approval of the Remuneration Policy for the Company’s officers. Notwithstanding, the renewal or amendment of any existing agreements and terms and conditions, as said, and the approval of discretionary bonuses under existing agreements, shall be performed while taking into account the provisions of the Remuneration Policy and/or be done in accordance with applicable law.
   6. The Remuneration Policy shall be amended as necessary and shall be approved once every three years, as required by the Companies Law in such regard.
   7. Nothing set forth in the Remuneration Policy shall derogate from the board of directors’ duty to, from time to time, examine the Remuneration Policy and the need to amend it to be in accordance with the provisions of Section 267B of the Companies Law, in the event of any material change to the circumstances existing at the time it was established or for other reasons. In light of the foregoing, the Company’s board of directors shall track the implementation of the Remuneration Policy for the Company’s officers on an ongoing manner.
2. **Definitions** 
   1. The “**Company**” - ElectReon Wireless Ltd, or whatever it may be called from time to time.
   2. The “**subsidiaries**” - as disclosed from time to time in the Company’s TASE reports.
   3. The “**Group**” - the Company and the subsidiaries.
   4. The “**Companies Law**” - the Israel Companies Law, 1999.
   5. The “**Securities Law**” - the Israel Securities Law, 1968.
   6. The “**remuneration committee**” - the remuneration committee in the composition required under applicable law. The audit committee satisfying the conditions stipulated by such purpose under applicable law may also serve as the remuneration committee.
   7. “**Officer**” - as defined in Section 1 of the Companies Law.
   8. “**Terms of service and employment**” - Terms of service and employment of the Company’s officers, including the provision of a release, insurance, undertaking for indemnification or indemnification, separation bonus and any other payment, or any undertaking to perform such payment, awarded due to the officer’s aforementioned service or employment.
3. **Objectives of the Remuneration Policy**

The following considerations are behind the Remuneration Policy:

* 1. Promoting the Company’s objectives, its working plan and policies, with a long-term perspective;
  2. Creating appropriate incentives for the Company’s officers, considering, *inter alia*, the Company’s characteristics, its commercial activities, the Company’s risk management policy and the Company’s employment relations;
  3. The size of the Company and the nature of its activities;
  4. Giving the tools required to enable the Company to recruit, incentivize and retain talented and skilled managers, who are able to contribute to the Company and to increase its profits with a long-term perspective;
  5. Aligning the Company’s officers with the Company and correlating their compensation with its performance (including through bonuses and equity remuneration), while aligning the officers’ compensation with their contribution to achieving the Company’s targets and increasing its profitability, with a long-term perspective and in accordance with their roles;
  6. Creating an appropriate balance between the various remuneration components (such as fixed vs. variable, short-term vs. long-term components) while neutralizing accounting distortions in setting a cap for the equity compensation.

1. **Parameters for Examining the Terms of Compensation**

Presented below are the general parameters taken into account when examining the compensation and terms of service and employment of the Company’s officers:

* 1. The officer’s education, talents, expertise, professional experience and achievements;
  2. The officer’s position, areas of responsibility and previous salary agreements signed with them;
  3. The level of responsibility imposed on the officer by virtue of their position with the Company;
  4. The officer’s contribution to the Company’s performance, to advancing the Company’s objectives, achieving its strategic targets, and executing its work plans, profitability, fortitude and stability with a long-term perspective;
  5. The Company’s need to retain its officers in light of their skills, know-how and/or unique expertise;
  6. The ratio between the cost of the terms of service and employment of the officer against the cost of the remuneration[[1]](#footnote-2) of all other Company employees and that of contractor employees engaged by the Company[[2]](#footnote-3), and particularly the ratio with the average and median salary of the aforementioned employees, and the impact of the differentials between them on employment relations within the Company, as specified below in Section 4.12;
  7. The separation bonuses reflect [*sic*] - the period of the officer’s service or employment, the terms of service and employment during this period, the Company’s performance during said period, the officer’s contribution to the Company achieving its targets and increasing its profitability and the circumstances surrounding their separation.
  8. **Regarding the variable components of the terms of service and employment**:
     1. Basing the components on performance with a long-term perspective, and according to quantifiable criteria; however, the Company may determine that an immaterial part of the components or the total components if their amount does not exceed three monthly salaries (gross) per year, shall be awarded according to non-quantifiable criteria while considering the officer’s contribution to the Company.
     2. The ratio between the variable and fixed components, and the cap of the value of the variable components on their date of payment; however, for variable equity components which are not paid in cash - the cap of their value on the date that they are granted;
  9. A ‘claw-back’ provision whereby the officer shall repay to the Company, according to conditions established in the Remuneration Policy, amounts paid to the officer as part of their terms of service and employment, if paid to the officer on the basis of data or figures which emerged as being mistaken and which were restated in the Company’s financial statements;
  10. The minimum holding or vesting period of the variable equity components which are part of the terms of service and employment, while relating to appropriate incentives with a long-term perspective;
  11. Cap for separation bonuses.
  12. **The ratio between the officer’s remuneration to that of the Company’s other employees**

When establishing the terms of compensation for the Company’s officers, *inter alia*, the ratio between the terms of service of each of the Company’s officers and between the average and median cost of employment of the Company’s other employees (including contractor workers) shall be examined, while taking into account the nature of the officer’s role, seniority, responsibility they bear and the number of employees in the Company. As part of the process in formulating the Remuneration Policy specified below, the board of directors examined the ratio between the cost of employment of the officers against the average and median cost of employment of the Company’s employees (according to representative salary data for the nine-month period ended on September 30, 2020). Presented below is an overview of the aforementioned ratios:

|  |  |  |
| --- | --- | --- |
| **Rank** | **According to the average cost of employment of the Company’s other employees** | **According to the median cost of employment of the Company’s other employees** |
| CEO | 4 | 5 |
| Other officers | 3 | 3 |

1. **Mapping the Officer Roles Subject to the Remuneration Policy**

The Remuneration Policy applies to the following functionaries:

* 1. Chairman of the board of directors.
  2. Company’s CEO.
  3. Deputy CEO or VP or other officer who is not a director;
  4. Director.

An officer in any role (including if the officer is a controlling shareholder or relative thereof) transitioning from an employment relationship to that of a service provider or *vice versa*, without increasing the costs of employment for the Company due to the new form of engagement, shall not require approval of the general meeting and shall only be approved by the remuneration committee, all subject to applicable law.

1. **Remuneration for Company Officers**

The officer’s total remuneration may be comprised of a number of components:

* 1. **Fixed base payment** - intended to compensate the officer for the services provided to the Group, and the time invested by the officer in performing their role on an ongoing basis. The base salary takes into account the officer’s skills and the requirements of the role and areas of responsibility and authority of the officer.
  2. **Fringe benefits** - some of which are defined and stipulated by law (components include: Pension savings, severance pay contributions, work disability insurance, vacation days, sick days, and convalescence (*havra’ah*) payments, etc.), some of which are derived from market terms or common practice in the relevant labor market for the Company officer (like savings through a further education fund (*keren hishtalmut*)) and some of which are intended to supplement the fixed salary and finance or reimburse expenses incurred by the officer in fulfilling their role (like travel and mobile phone expenses);
  3. **Variable compensation (bonuses**) - short and medium term compensation, including, bonuses based on managerial and commercial targets. Furthermore, the Company may determine that a particular officer shall be paid discretionary annual bonuses, in light of an assessment of the officer’s contribution to the Company and the limitations specified in this Policy. The Company may also, from time to time, award one-off bonuses to its officers in addition to the annual bonus, this in light of a special contribution to the Company and achieving its targets, and limitations as specified below in this Remuneration Policy.
  4. **Variable equity compensation** - long-term compensation, which is intended to align the interests between generating value for the Company’s shareholders, as seen in the increase in value of the Company’s shares, and between the compensation paid to the Company’s officers, all while establishing a cap which is intended to offset accounting distortions arising from standard deviation of the Company’s share price prior to approving this Remuneration Policy.

The remuneration components specified above in Sections 6.3 and 6.4 shall be referred to as “**variable components**”.

In order to ensure an appropriate balance between all remuneration components and the officer’s contribution, the remuneration committee and the board of directors shall be presented with all components of the officer’s compensation package when discussing approval of each of the officer’s remuneration components. The desirable ratio range between the total compensation components for a given year for the Company’s officers, is as follows:

|  |  |
| --- | --- |
| **Position** | **Variable components (%)**  **(Including bonuses and equity compensation\*)** |
| CEO | An amount equal to up to 24 monthly salaries (base + fringe benefits). |
| Deputy CEO or VP or other officer who is not a director or executive chairman of the board | For the deputy CEO or VP - an amount equal to up to 24 monthly salaries (base + fringe benefits), provided that the annual value of the variable equity component does not exceed 18 salaries.  For other officers who are not directors and for the executive chairman of the board - an amount equal to up to 15 monthly salaries (base + fringe benefits), provided that the annual value of the variable equity component does not exceed 12 salaries. |
| Director | Options at a rate not exceeding 0.03% of the Company’s issued and paid-up share capital after the offering, assuming full exercise of the options issued to directors[[3]](#footnote-4). |

\* With respect to calculation of the variable equity component, as specified in the above table, the annual fair value of the cumulative value of the equity compensation which shall be awarded to the Company’s officers, on the grant date, which shall be valued according to the total accounting expense in the Company’s books on the grant date shall be divided equally by the number of years until the award has fully vested (and not, for the avoidance of doubt, according to the rate the expense has been recorded in the Company’s books).

\*\* In light of the increase in value and high volatility of the Company's share price as of the Company's merger with Biomedix Incubator Ltd., an accounting distortion has been created in the amount of the accounting expense that the Company is required to record for share-based remuneration, mainly due to the increase in the standard deviation used to calculate the value of the accounting expense according to the Black & Scholes methodology formulation. Accordingly, the ceiling for the variable remuneration components was set in a manner intended to partially neutralize the accounting distortion and to enable the Company to give new and existing officers the equity remuneration as close as possible to that which had been awarded by it in the past.

1. **Remuneration Components** 
   1. **Base salary (fixed compensation)**
      1. **Establishing the fixed salary for officers**
      2. **Cap of fixed salary**

The fixed monthly salary for Company officers shall not exceed the amounts specified below (in terms of employer cost[[4]](#footnote-5) in ILS 000’s):

|  |  |
| --- | --- |
| **Position** | **Maximum** |
| CEO | 100 |
| Deputy CEO or VP or other officer who is not a director or executive chairman of the board | 80 |

\* See footnote 3.

* 1. **Principles for periodic salary examinations and amendments**
     1. The salaries of the Company’s officers (or only for some of the officers, excluding controlling shareholders and/or their relatives and/or board chairperson and the Company’s CEO) shall be examined and amended as necessary and at the discretion of the Company’s management and this amendment shall be brought for approval.
     2. An immaterial change to the terms of service and employment of an officer who is subordinate to the CEO and who is not one of the Company’s controlling shareholders, within the limits stipulated in the Remuneration Policy, shall only be approved by the Company’s CEO, subject to the terms of service and employment being consistent with the Remuneration Policy. For the purpose of this Policy, “immaterial change” shall be considered a change of up to 10% of the total annual cost of the officer, cumulatively over the period of the Remuneration Policy and provided that it does not exceed the caps specified in this Policy.
     3. The remuneration committee may amend the terms of service and employment of the Company’s CEO up to 5% annually relative to CEO’s salary at the beginning of the relevant year (over and above CPI linkage, if any) and cumulatively up to 10% relative to the terms of service and employment approved by the Company’s organs, and provided that the terms of service and employment are consistent with the Remuneration Policy.
     4. The amounts shall be calculated on a pro-rata basis for officers engaged on a part-time basis, according to the part-time nature of their role; however, the competent organs may determine that more than the relative amount may be awarded.
  2. **Annual bonus based on quantitative and non-quantitative targets**

Annual bonus for officers subordinate to the CEO

* + 1. The Company’s remuneration committee and board of directors may approve payment of a bonus to officers subordinate to the Company’s CEO (who are not directors and/or not one of the Company’s controlling shareholders) according to quantitative criteria and/or according to non-quantitative criteria (see the discretionary bonus below), according to each one of their contributions, as said (hereinafter: the “**annual bonus**”). The annual bonus may be comprised of only quantitative criteria or only of non-quantitative criteria or may be comprised of both kinds of criteria, subject to the cap stipulated in Section 7.7 below.
    2. Quantitative targets

In the event that it is decided to base the officer’s annual bonus (excluding the CEO) on quantitative targets, the amount of the bonus which is based on quantitative targets shall be calculated according to the quantitative criteria, which shall be set (if applicable) by the Company’s remuneration committee and board of directors, with respect to each officer, according to the relevant officer’s position, such as (but not necessarily) the metrics set for the Company’s CEO below in Section 7.3.3.

The targets shall be defined by the remuneration committee and board of directors by no later than the 31st of January of each year, whereby at least two targets shall be selected and each target or total number of targets shall be given a weighting of the target-based compensation component the officer is entitled to if the target or said targets are achieved. The remuneration committee and board of directors may establish a minimal range for which a bonus shall not be paid for any target and a numerical target for which the full bonus component shall be paid for that target.

Annual bonus for the Company’s CEO

* + 1. The bonus for the CEO shall be determined according to quantitative targets which shall be established by the Company’s remuneration committee and board of directors by no later than the 31st of January of each year, in an amount not exceeding 3 monthly salaries. Moreover, the CEO may be entitled to a discretionary bonus up to the cap stipulated in the Remuneration Policy, subject to the approval of the Company’s remuneration committee, board of directors and general meeting.

The quantitative targets which shall be established by the Company’s remuneration committee and board of directors shall include at least three of the following metrics:

* Increase in the Company’s revenues relative to the previous year by the minimal specified amount;
* Minimum number of electric road deployments;
* Minimum number of engagements with new customers;
* Minimum scope of Company capital raising;
* Minimum increase in the Company’s EBITDA (after the Company transitions to having a profitable EBITDA);

It is clarified that, in any event, the relative share of any of the above metrics shall not constitute more than 40% of the total metric used to calculate the entitlement to a target-based bonus and that the remuneration committee and board of directors shall not be permitted to change said metrics during any year after they have been approved by the remuneration committee and board of directors.

* + 1. It should be noted that, in addition to that stated above and subject to applicable law, the Company’s competent organs may approve remuneration to the Company’s CEO based on quantitative metrics (such as a bonus of a predefined amount of the Company’s net profit or EBITDA), provided that said bonus is established according to a pre-determined formula which shall be established in the CEO's employment agreement.
  1. **Discretionary bonus**

Subject to the bonus cap stipulated below in Section 7.7, the remuneration committee and board of directors may award the Company’s officers (excluding the CEO), at their discretion, and at the assessment of the board of directors, a discretionary bonus based, *inter alia*, on the following qualitative criteria:

* The officer’s contribution to the Company’s businesses, profitability, fortitude and stability;
* The Company’s need to retain skilled officers with unique know-how or expertise;
* The level of the officer’s responsibility;
* Changes to the scope of the officer’s responsibility during the year;
* Satisfaction with the officer’s performance (including an assessment of the extent of the officer’s involvement and care shown in performing their role);

The bonus for the officer shall be calculated for each calendar year and shall be brought for the approval and resolution of the Company’s remuneration committee and board of directors, in proximity to the approval date of the Company’s annual financial statements for the year for which the variable bonus is being paid.

* 1. **One-time bonus**

The Company may award, subject to receiving the approvals required under applicable law, a one-time bonus which shall not exceed 5 monthly salaries, to any of the officers due to a unique contribution and/or recognizable efforts and/or special and exceptional achievements for the Company in which the officer played a dominant role in their achievement (such as sale of an operating segment or part thereof which generates a capital gain not seen in the Company’s operating profit) and/or upon the occurrence of a material and exceptional commercial event which can advance the Company’s interests and its strategic plan, including the following:

* Acquisition and sale of operations and/or assets;
* Private placements;
* Raising capital/prospectuses;
* Bringing investors into the Company and/or the subsidiaries;
* Mergers and/or acquisitions of the Company and/or of its shares.

Notwithstanding the foregoing, any bonus under this subsection, to the CEO, an interested party and/or their relatives employed by the Company, shall be subject to the approval of the Company’s general meeting.

For the avoidance of doubt, a bonus under this subsection may be awarded to the officer, irrespective of their entitlement under the Company’s ongoing bonus plan, and the one-time bonus shall not be subject to the provisions of Sections 7.3-7.4 above and Section 7.7 below.

* 1. **Claw-back of a bonus awarded on the basis of erroneous financial information** 
     1. Officers shall be required to repay to the Company any amount overpaid for a bonus which was paid on the basis of data which emerged as being erroneous and which were restated in the Company’s financial statements during a period of three years from when the award of the bonus was approved.
     2. The amount of the payment shall be determined according to the difference between the amount the officer received and the amount that should have been received according to the corrected financial data restated in the Company’s financial statements (the “**claw-back amount**”).
     3. The Company may offset the claw-back amount owed to it from any amount it is required to pay the officer (also in the event the officer’s employment has ended). In any event, the Company’s competent organs shall establish the timing, manner and terms of said repayment.
     4. The aforementioned claw-back shall not apply in the event the Company’s financial statements are restated due to a change in applicable law or accounting standards.
  2. **Bonus cap (for bonuses awarded under Sections 7.3 and 7.4 above)** 
     1. CEO: 12 monthly salaries and subject to receiving the approvals required under applicable law for a CEO who is a controlling shareholder and/or for a discretionary bonus.
     2. Other officers (not for their service as directors): 9 monthly salaries.
     3. Subject to that set forth in agreements existing as of the approval date of this Policy, or any contrary provision which may be specified in an agreement the Company may enter in the future with any officer, the board of directors shall have the authority to reduce the annual bonus for the officers at its sole and exclusive discretion, in the event that it has determined that the circumstances justify said reduction.
     4. Subject to that set forth above in Sections 7.3 and 7.4, the remuneration committee and board of directors may approve a partial/pro-rated bonus when an officer leaves during the year, provided the officer was not terminated under circumstances for cause denying severance pay.
  3. **Equity compensation**

Subject to obtaining the approval of the Company’s competent organs, the Company may offer the officers, including directors who are not controlling shareholders of the Company, to participate in the Company’s equity compensation award plan (the “**equity compensation plan**”), including options for Company shares, shares, restricted shares, restricted share units, phantom options, etc. Granting the equity compensation shall be performed in accordance with the equity compensation plan as in effect, as shall be adopted from time to time and in accordance with the following principles:

* + 1. The maximum financial value (on the date of the board’s resolution on the allotment) of the options which shall be awarded to officers shall not exceed (together with the bonuses specified above in Sections 7.3-7.5 above) the amounts detailed in the table in Section 6.4 above.
    2. Exercise price: In the event of issuance of options, the exercise price shall not be less than the share price on the date of the board’s resolution of the allotment, which shall thereby constitute an appropriate incentive to increase the Company’s value in the long-term, and, in any event, no less than the average price of the Company’s shares on the Tel Aviv Stock Exchange, during the 30 trading days preceding the date of the board resolution on the allotment. Without derogating from the generality of that set forth above, it is clarified that subject to the resolution of the Company’s board of directors, in the event that an allotment of securities to a particular officer requires the approval of the general meeting, the exercise price may be determined, according to the above principles, with respect to the date of the approval of the general meeting. Similarly, in the event that a specific award date is specified in a specific plan for a particular officer, which is later than the date of the approval by the board of directors or general meeting (as applicable), the exercise price shall be determined according to the above principles, with respect to the award date stipulated in the plan.
    3. Vesting period: The period required for the equity compensation granted to an officer to fully vest shall be at least 3 years from the date of grant or an earlier date (if determined by the Company’s board of directors), which shall not precede the commencement of the offeree’s employment, and which shall not exceed 3 months preceding the date of grant, whereby the equity compensation for the first year of employment shall vest at least one year after the commencement date of employment. Notwithstanding that set forth in this section, the Company’s remuneration committee and board of directors shall have the authority to determine that notwithstanding said vesting provisions, the equity compensation may be exercisable upon the satisfaction of predefined targets. With respect to the vesting of restricted shares, restricted share units and phantom options, the vesting of the equity compensation pursuant thereto shall be subject to meeting quantitative targets which shall be predefined by the Company’s remuneration committee and board of directors, all subject to making the vesting contingent upon quantitative targets, as said, not adversely impacting the equity compensation complying with the terms of Section 102 of the Income Tax Ordinance [New Version].
    4. The Company’s board of directors may determine that upon the occurrence of an acceleration event, as shall be defined by the board of directors, or as a result of termination of engagement due to death or disability, the vesting of the securities awarded to the officer shall fully or partially be accelerated.
    5. Option lifespan: The lifespan of the options shall not exceed 10 years from the date of them being awarded by the Company’s remuneration committee, and the Company’s board of directors shall establish provisions regarding the expiration of all or some of the options in the event an officer ceases to be employed by the Group and/or ceases to provide services to the Group.
    6. Moreover, the Company may establish a mechanism whereby on the exercise date the securities holder shall receive the benefit they are entitled to, in the amount of the difference between the Company’s share price on the exercise date and between the exercise price established for the securities, without being required to actually pay the exercise price (a cashless exercise mechanism).
  1. **Fringe benefits and other benefits for officers**

In the event the officer’s terms of service and employment include provisions regarding the items specified below, they shall be determined in accordance with the relevant considerations and criteria stipulated above in Section 4, and in accordance with the following guidelines:

* + 1. **Pension contributions** - the Company shall make contributions to a pension fund, manager’s insurance and further education fund in accordance with applicable law or practice in such respect.
    2. **Work disability insurance** - the Company shall insure the officer with work disability insurance. The Company’s contributions to work disability insurance shall not exceed 2.5% of the officer’s fixed salary.
    3. **Further education fund** - the Company and the officer may make monthly contributions to a further education fund of amounts of the monthly salary specified in the employment agreement.
    4. **Vehicles** - the Company may provide the officer with a vehicle for the officer to use in the performance of their role or reimburse travel expenses or pay the officer a monetary amount *in lieu* of a vehicle. In the event the officer is given a vehicle, as said, the Company may, at its discretion bear maintenance costs (subject to the Company’s procedures as may be established from time to time) and may gross for the officer the value of the benefit for tax purposes.
    5. **Mobile phone** - the Company may provide the officer with a mobile telephone device, for the officer to use, according to its rules as may be established from time to time. The officer shall be entitled to full reimbursement of maintenance and usage expenses for the mobile phone subject to the Company’s rules as may be determined from time to time. The Company may gross for the officer the value of the benefit for tax purposes.
    6. **Annual leave** - the officers shall be entitled to annual leave as stipulated in the personal employment agreements executed with each one of the officers.
    7. **Sick leave** - the officers shall be entitled to sick leave days as stipulated in the personal employment agreements executed with each one of the officers. The officer’s entitlement to accrue sick days shall be in accordance with the Sick Pay Law, 1976.
    8. **Convalescence pay** (*dmei havra’ah*) - the officers shall be entitled to payment of convalescence pay and the value of a convalescence day in accordance with the general extension order for the economy expanding the agreement executed between the coordination office of the financial organs and the General Histadrut, and in accordance with the Group’s common practice.
    9. **Other benefits** - the Company may, from time to time, award additional reasonable fringe benefits and benefits to the officers (such as a gift for the festivals, medical/dental insurance, annual medical check-ups, subscription to professional literature, training, professional developments, membership fees for professional entities, etc.), as customary in the Company and in accordance with its policies regarding these kinds of matters.
    10. **Terms for concluding service** - each one of the officers shall be entitled to prior notice as specified in the personal employment agreements executed with each one of the officers and no more than 6 months’ prior notice.

The officer shall continue to work for the relevant company during the prior notice period until completion of the prior notice period, unless the Company chooses to not employ them during this period or to employ them for a shorter period of time.

* + 1. **Adjustment period** - the Company may establish an adjustment period for the officer which shall be personally (if at all) determined for each officer, *inter alia*, while considering the parameters specified above in Section 4, during which the officer shall continue to be entitled to the terms of employment and service specified above, without being required to continue to actually perform their role in the Company. The adjustment period shall not exceed 6 months, together with prior notice.
    2. The officers shall commit to maintain confidentiality and non-competition through customary undertakings.
    3. **Severance pay** - the officers shall be entitled to payment of severance pay under the Severance Pay Law, 1963, and subject to the Company’s discretion, as determined in the employment agreements with the officers.
    4. **Signing bonus** - under exceptional circumstances which shall be approved, the Company’s competent organs may approve a signing bonus or employment contract renewal bonus for any officer in an amount not exceeding 3 monthly salaries.
    5. **Expense reimbursement** - the officers shall be entitled to reasonable expense reimbursement/payment actually incurred by them in the performance of their roles in accordance with the Company’s policies as may be determined from time to time. There is no cap for the total expense reimbursement.
    6. **Separation bonus** - the Company’s officers shall not be entitled to a separation bonus in connection with the termination of their work for the Company.

It shall be clarified that the fringe benefits, as stipulated above in this Section 7.9, are subject to applicable law, including extension orders, if applicable to the Group.

1. **Liability Insurance, Indemnification and Release**
   1. The Company may insure the liability of its current and/or future officers under a D&O liability insurance policy, including directors who are controlling shareholders or their relatives. Similarly, if resolved by the remuneration committee and board of directors, the Company may award any or all of the officers letters of indemnity and/or releases in the form customarily used by the Company as it may be from time to time. Said release shall not apply to a resolution or transaction in which the controlling shareholder or any of the Company’s officers have a personal interest (even if the release is being granted to another officer), all subject to the provisions of the Companies Law and the Company’s articles of association.
   2. Without derogating from the foregoing, the officers shall be covered under a D&O liability insurance policy as may be acquired by the Company from time to time. The cumulative liability cap under said policy shall not exceed USD 30 million per event and in total per annum. The cost of the premium and the deductibles shall be according to market conditions on the date the policy is issued, provided that the purchase of the policy does not materially affect the Company's profitability, property or obligations.
   3. Additionally, the Company’s officers may, subject to the provisions of the Companies Law and the Company’s articles of association, obtain D&O insurance coverage, including “claims made” insurance, or any other kind of insurance coverage which may apply to the Company’s officers.
   4. D&O liability run-off insurance - in the event the Company sells its operations (partially or fully) and/or in the event the Company has a change in control, the Company merges, splits or enters into another kind of significant commercial combination, the Company may acquire a D&O liability run-off policy for the directors and officers serving with respect to the relevant operations, subject to the following terms and conditions: (a) The insurance period shall not exceed 7 years; (b) The insurance coverage amount shall not exceed USD 30 million and shall at least have the liability limit of the previous policy; (c) The cost of the premium and the amount of the deductibles shall be at market terms on the date of the acquisition of the policy.
   5. The Company’s acquisition of the insurance policies stipulated above in Sections 8.2 and 8.4, with respect to insuring the liability of the officers and directors, may only be approved by the remuneration committee according to Regulation 1B1 of the Companies Regulations (Reliefs for Interested Party Transactions), 2000, or any other provision replacing it upon the existence of the limits detailed above.
2. **Director Fees**

External directors and other directors shall be paid in accordance with the Companies Regulations (Rules for Remuneration and Costs for External Directors), 2000 (the “**Remuneration Regulations**”), whereby the amount of the remuneration shall be determined according to the Remuneration Regulations in accordance with the rank of the Company’s shareholders’ equity as specified in the Remuneration Regulations (as it may be from time to time) and shall not exceed the maximum limit specified in the Remuneration Regulations.Notwithstanding the foregoing, the compensation for an executive chairman of the board may be in accordance with the Remuneration Policy for officers who are not directors.

Directors who also serve as officers shall **not** receive director fees in addition to their other compensation awarded for them being officers, stipulated in this Remuneration Policy.

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1. “**Cost of remuneration**” - all payments for employment, including employer contributions, separation payments, vehicle payments and expenses for use thereof, and any other benefits or payments. [↑](#footnote-ref-2)
2. “**Contractor employees engaged by the Company**” - manpower contractor workers for whom the Company is their actual employer, and service contractor workers engaged in providing services to the Company; in this regard, “manpower contractor”, “service contractor”, “actual employer” - as defined in the Employment of Workers by Manpower Contractors Law, 1996. [↑](#footnote-ref-3)
3. As of the approval date of the Remuneration Policy by the Company's board of directors (November 22, 2020), and assuming that the options were granted on the date on which the Remuneration Policy had been approved by the Company's board of directors and that the exercise price of the options was determined according to the provisions of Section 7.8.2 of the Remuneration Policy, the total value of the options which, if fully exercised, would have constituted 0.03% of the Company’s issued and paid-up share capital, would have amounted to approximately ILS 125,000, reflecting an annual benefit over the approximately 4-year vesting period. [↑](#footnote-ref-4)
4. The fixed salary for the purpose of this table has been calculated in terms of employer cost (when dealing with an officer who receives their compensation as management fees - the full amount of the management fees, excluding VAT) and it therefore also includes fringe benefits, as detailed below in Section 7.9. [↑](#footnote-ref-5)