UNITRONICS (1989) (R"G) LTD.

PRESS RELEASE
Airport City, Israel
November 17th, 2013

*****Regulated Information*****
*****For Immediate Release*****

Amended Report to a faulty report published on 23.10.2013, reference number: 2013-01-173805

Airport City, Israel – November 17, 2013- Unitronics (1989) R"G Ltd. (the "**Company**") published the attached Immediate Report pursuant to the requirements of the Israeli law with respect to the correction of the Company's Compensation Policy due to the Israeli Securities Authority's comments. The Revised Compensation Policy marked for changes is attached to the below.
The cause of fault: Israeli Securities Authority's comments.
Main amendments: as shown below.

About Unitronics

Unitronics (1989) (R"G) Ltd. is an Israeli company that engages, through its Products Department, in the design, development, production, marketing and sale of industrial automation products, mainly Programmable Logic Controllers ("PLCs"). PLCs are computer-based electronic products (hardware and software), used in the command and control of machines performing automatic tasks, such as production systems and automatic systems for industrial storage, retrieval and logistics. The Company also engages, through its Systems Department and/or its subsidiaries, in the design, construction and maintenance services in the framework of projects for automation, computerization and integration of computerized production and/or logistics systems, mainly automated warehouses, automated distribution centers and automated parking facilities. The Company's PLCs are distributed by over one hundred and forty distributors (and a wholly owned US subsidiary) in approximately fifty countries throughout Europe, Asia, America and Africa. The services of the Systems Department are provided to customers in Israel and also outside Israel.

This press release contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Management of the Company as well as assumptions made by and information currently available to the Management of the Company. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks and other factors which may be outside of the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as projected, anticipated, believed, estimated, expected or intended.

UNITRONICS (1989) (R"G) LTD.
(the "Company")

~~October 24~~November 17, 2013

Re: Amended Immediate Report Concerning the Convening of an Annual and Extraordinary General Meeting

An amended immediate report is hereby given concerning the convening of an annual General Meeting and an extraordinary General Meeting of the Company's shareholders (the "Meeting"), having on its agenda the matters detailed below, in accordance with the Companies Law, 5759-1999 (the "**Law**"), the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Reporting Regulations**"), the Companies Regulations (Notice of General Meeting and Class Meeting in a Public Company), 5760-2000, the Companies Regulations (Written Votes and Position Statements), 5766-2005, and the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 5760-2000.

This amended report reflects changes made to the Compensation Policy, submitted for the approval of the Meeting following comments and discussions with the Israel Securities Authority. This amended report marked for changes compared with the original report which it amending (Immediate report regarding the convening of Annual General Meeting and Special, published on 23/10/2013, Reference No. 2013-01-173805 (the "Original Report").

Part I – Convening of the Meeting, Items on the Agenda and Proposed Text of the Resolutions

1. **Time and place**

   Notice is hereby given of the convening of an Annual and Extraordinary General Meeting of the Company's shareholders, which is to convene at the Zaventem Sheraton Hotel in Brussels, Belgium, on Monday, December 9th, 2013, at 12:30 a.m. (Belgium time) (the "**Meeting**").

2. **The matters on the agenda of the Meeting and a summary of the proposed resolutions**

   2.1 Approval of a compensation policy for officers of the Company pursuant to Amendment No. 20 to the Companies Law

   To approve the Company's compensation policy in the wording attached as **Appendix A** to this report.

   Proposed text of resolution

   To approve the compensation policy presented to the Meeting.

2.2 Authorization of Mr. Haim Shani to serve as Chairman of the Board in addition to his position as Company CEO

Authorization of Mr. Haim Shani to serve as Chairman of the Board in addition to his position as Company CEO, for an additional term of three years commencing on the date of expiration of the previous approval period (on December 9, 2013 – for details see the immediate report on the results of a meeting from December 9, 2010, Reference No. 2010-01-713490), pursuant to Section 121(c) of the Companies Law and in accordance with the Company's articles (for details about Mr. Haim Shani and the positions filled by him at the Company see Section 4.10 in Chapter D of the Company's periodic report for 2012, published on March 21, 2013, Reference No. 2013-01-015544) (the "**Periodic Report**").

Proposed text of resolution

To authorize Mr. Haim Shani to serve as Chairman of the Board of the Company in addition to his position as Company CEO, for an additional term of three years commencing on December 9, 2013.

2.3 Reappointment of Ms. Edna Ramot for an additional term as a Director of the Company

Reappointment of Ms. Edna Ramot for an additional term as a Director of the Company (non-Outside Director) (Category A), in accordance with the Company's articles (for details about Ms. Edna Ramot, see Section 4.10 in Chapter D of the Periodic Report).

For details concerning the compensation paid to Directors of the Company, see Section 4.5.7 of the Periodic Report. Ms. Ramot's declaration that she satisfies the required conditions for serving as a Director of the Company, pursuant to Section 224B of the Companies Law and Regulation 36B(a)(10) of the Reporting Regulations, is attached to this convening report.

For details concerning Ms. Ramot's rate of attendance at meetings of the Board of Directors and its committees during 2012, see the Corporate Governance Questionnaire attached to the Periodic Report. During the first three quarters of the year, Ms. Ramot's rate of attendance at meetings of the Board of Directors stood at 100%.

Proposed text of resolution

To reappoint Ms. Edna Ramot for an additional term as a Director of the Company (Category A), up to the Annual General Meeting of the Company for 2016, in accordance with the Company's articles.

2.4 Presentation of the Company's financial statements and periodic report for 2012

Presentation of the Company's audited financial statements, the report of the Company's Board of Directors on the state of affairs of the corporation, including the fee of the Company's audit accountants for auditing actions and their fee for other actions, and the periodic annual report (in the Barnea Committee format) for the year ended December 31, 2012.

Proposed text of resolution

To confirm that the Company's audited financial statements, the report of the Company's Board of Directors on the state of affairs of the corporation, including the fee of the Company's audit accountants for auditing actions and their fee for other actions, and the periodic annual report (in the Barnea Committee format) for the year ended December 31, 2012 were presented to the Company's General Meeting.

2.5 Reappointment of audit accountants and authorization of the Company's Board of Directors to determine their fee

Approval of the reappointment of the firm of Amit Halfon, CPA, as the Company's audit accountants for 2013 and for the period up to the next Annual General Meeting of the Company's shareholders, and authorization of the Company's Board of Directors to determine their fee.

Proposed text of resolution

To approve the reappointment of the firm of Amit Halfon, CPA, as the Company's audit accountants for 2013 and for the period up to the next Annual General Meeting of the Company's shareholders, and to authorize the Company's Board of Directors to determine their fee.

Part II – Details in Connection with Item No. 2.1 on the Agenda of the Meeting

3. Compensation policy

Manner of approval of the compensation policy and the considerations and matters taken into account by the Compensation Committee and the Board of Directors

A. The compensation policy for officers of the Company is based on and formulated in accordance with Amendment No. 20 of the Companies Law relating to a compensation policy for officers of public companies, and in accordance with Legal Position Paper No. 101-16 of the Israel Securities Authority dated January 15, 2013.

B. In accordance with Section 118A of the Companies Law, the Company's Board of Directors appointed a Board Committee for Compensation Matters[1] (the "**Compensation Committee**"), numbering three members and consisting of all the members of the Company's Audit Committee, i.e. the two Outside Directors serving at the Company and another Director whose terms of service are identical to those of the Company's Outside Directors. The Compensation Committee is headed by an Outside

[1] The Compensation Committee was appointed on November 22, 2012 and its serving members are: Mr. Moshe Baraz, CPA (Chairman) (Outside Director), Mr. Joel Sela, CPA (Outside Director), and Mr. Zvi Livne, CPA.

Director. The full text of the compensation policy is attached as **Appendix A** to this convening report.

C. After holding four frontal meetings, on May 9, 2013, on July 10, 2013, on August 4, 2013 and on October 23, 2013, all with full attendance, the Compensation Committee recommended to the Company's Board of Directors to approve the compensation policy in the form attached to the Original report. Following comments received by the Israel Securities Authority and discussions that were held with it, some changes were made in the Compensation Policy that was approved at the meetings mentioned above, and on November 17, 2013 the amended version of the Compensation Policy attached to the this Report brought to the Compensation Committee of the Company that decided, in full and unanimously on a telephone discussion in which participate the directors CPA Moshe Baraz (external director) and CPA Zvi Livne, to recommend the Board of Directors to approve the amended Compensation Policy attached to this amended Report.

D. Pursuant to the Compensation Committee's recommendations and to discussions held by the Board of Directors in meetings on July 10, 2013 and on August 4, 2013, in which it examined, *inter alia,* the principles underlying the compensation policy and the use of the Zviran Survey (as hereinafter defined) as a benchmark for determining the compensation for officers of the Company, on October 23, 2013 the Company's Board of Directors convened with full attendance and discussed the compensation policy, based on the Compensation Committee's recommendations. Mr. Haim Shani, who is the Chairman of the Board and CEO of the Company and its controlling shareholder, and Ms. Bareket Shani, who is a Director and Mr. Haim Shani's wife, were not present and did not participate in the Board of Directors' discussions in connection with the compensation policy components relating to the compensation of the Company CEO and/or an officer who is a controlling shareholder or his relative, although they were present at the stage of their presentation. At that meeting the Company's Board of Directors approved the compensation policy and resolved to submit it for approval to the meeting of the Company's shareholders, as required under Section 267A of the Companies Law. On November 17, 2013 the Company's Board of Directors held a telephone meeting, in which the following directors participated: CPA Moshe Baraz (external director) CPA Zvi Livne, Edna Ramot , Bareket Shani and Haim Shani and unanimously approved the attached amended Compensation Policy is as recommended by the Compensation Committee as described above.

E. Representatives of the Company's management appeared before the Compensation Committee and the Board of Directors and presented the management's position on the principles of the proposed compensation policy. In addition, the Compensation Committee and the Board of Directors were assisted in the formulation of the policy by a salary and benefits survey in Israel's technology sector published by Zviran Consulting and Surveys Ltd. ("**Zviran**"), which was chosen by the Compensation Committee and the Board of Directors to serve as a benchmark for determining the compensation of the Company's officers, as set forth in the compensation policy document.

F. At the aforesaid meetings, data collected by the Company's management as well as data of Zviran were presented to the Compensation Committee and the Board of Directors, including, among others: (1) the ratio of the cost of the compensation conditions of the Company's officers to the cost of the salaries of the Company's other employees, including the ratio to the cost of the average salary and to the cost of the median salary of the Company's employees; (2) Zviran data relating to the compensation of the Company's officers compared to other companies; (3) the existing compensation conditions of the Company's officers, including information on the percentage of the position held by each of the Company's officers and the maximum compensation which they may receive; (4) the ratio between the variable components and the fixed components in the compensation conditions of the Company's Officers based on the policy formulated by the Compensation Committee; and (5) the cap on the value of variable compensation components based on the compensation policy formulated by the Compensation Committee.

G. The Compensation Committee and the Board of Directors examined in their meetings all the considerations relating to the approval of the compensation policy, including but not limited to the matters that must be addressed under Amendment No. 20 of the Companies Law. In this context they discussed, *inter alia,* the considerations that are required to be taken into account under Section 267B(a) and First Schedule A to the Companies Law. It should be noted that in determining the compensation of an officer, in accordance with the compensation policy, the Company will, *inter alia,* take into account and operate according to the criteria and considerations set forth in First Schedule A to the Companies Law, as aforesaid.

H. The compensation policy was determined, *inter alia,* taking into account the advancement of the Company's goals, its work plans and its policies based on a long-term view; the Company's needs in terms of the recruitment, incentivizing and retention of talented, skilled and quality managerial personnel with extensive experience in the field,, who are able to contribute to the Company and maximize its profits; the need to create appropriate incentives for the Company's officers, taking into account, *inter alia,* the management of the Company's risks; the need to set a cap on the value of variable compensation components; the Zviran data on similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company); maintaining a balance between, in accordance with the Company's policy, between fixed and variable compensation components as well as between long-term and short-term compensation components; the officer's position, seniority, contribution to achieving the Company's objectives and other measurements; examination of the officer's terms of service and employment, both compared to standard terms of service and employment in the market at similar companies as detailed above, and compared to the average salary of the Company's other employees, while maintaining reasonable salary differences in the Company.

   In the Company's opinion, the Company has a unique standing in the Israeli market, in view of its characteristics and the diversity of its areas of operation. This unique standing makes it difficult to locate similar companies that could serve as a basis for setting the benchmark. Therefore, the Company chose to use the Zviran survey, which surveys a large number of companies in the range of areas in which the Company is engaged – high-tech, technology and information systems. It is emphasized that the Zviran salary survey (which in the Company's opinion is one of the most widely accepted compensation and salary surveys in Israel) has served for many years as a basis for the Company's decisions in connection with the compensation of its senior and junior employees.

The Compensation Committee also considered the need for the compensation conditions that are granted to its officers to be attractive both to the incumbent officers and to potential candidates for senior positions in the Company, taking into account the accepted practice in companies considered comparable to the Company according to Zviran,

Based on the information presented to it and the aforesaid considerations which guided the Compensation Committee in its work, and taking into account all the criteria listed in First Schedule A to the Companies Law, Part A (Matters Required to Be Considered in the Compensation Policy) and Part B (Matters Required to Be Determined in the Compensation Policy), the Compensation Committee formulated a document of recommendations for a compensation policy (attached hereto as **Appendix A**), which was approved by the Company's Board of Directors and is being submitted for approval to the General Meeting.

Based on the foregoing, the Compensation Committee and the Board of Directors are of the opinion that the implementation frameworks proposed in the compensation policy document, which are within the Company's discretion when determining the compensation conditions of its officers, are reasonable, and that the ratio between the cost of the officers' compensation conditions and the cost of the salary of the other employees is reasonable and should not impact negatively on labor relations in the Company, *inter alia* in light of the officers' senior standing and position.

Terms of service and employment of officers and senior officers of the Company

The terms of service and employment of officers as of the date of determination of the compensation policy by the Company's Board of Directors conform to the compensation policy, apart from the terms of entitlement to equity-based compensation of the following two officers: the Company CEO and Chairman of the Board, Mr. Haim Shani, and the Vice President of Human Resources, Ms. Bareket Shani. The date of commencement and termination of the employment agreements of Mr. Haim Shani and Ms. Bareket Shani overlap, they are in force from January 1, 1999, and they have been extended from time to time, most recently until September 22, 2014, after which they are renewable for periods of three years each, subject to receipt of the necessary approvals. The Company intends to apply the compensation policy to officers whose terms of service and employment did not conform to the compensation policy on the date of determination of said policy. The compensation policy does not apply to senior officers who are not officers of the Company, and the Company does not intend to apply the compensation policy to senior officers who are not officers of the Company.

Approval of the compensation policy in spite of the opposition of the General Meeting

The Company's Board of Directors will be permitted to determine the compensation policy even if the General Meeting opposes its approval, if the Compensation Committee and thereafter the Board of Directors decide, based on detailed reasons and after reviewing the compensation policy, that the approval of the compensation policy in spite of the opposition of the General Meeting is to the Company's benefit.

Identity of the members of the Compensation Committee and the Board of Directors who participated in the Committee's and the Board's discussions on the compensation policy

The following Directors participated in the discussions of the meeting of the Company's Board of Directors on October 23, 2013, at which the compensation policy was approved unanimously: Mr. Moshe Baraz, CPA (Outside Director), Mr. Joel Sela, CPA (Outside Director), Mr. Zvi Livne, CPA, Ms. Edna Ramot, Ms. Bareket Shani and Mr. Haim Shani. in The following Directors participated in the Company's Board of Directors discussions held on November 17, 2013, at which certain changes in the Compensation Policy as detailed above and below was approved : Mr. Moshe Baraz, CPA (Outside Director), Mr. Zvi Livne, CPA Ms. Edna Ramot, Ms. Bareket Shani and Mr. Haim Shani. Mr. Haim Shani, who is the Chairman of the Board and CEO of the Company and its controlling shareholder, and Ms. Bareket Shani, who is a Director and Mr. Haim Shani's wife, were not present and did not participate in the Board of Directors' discussions in connection with the compensation policy components relating to the compensation of the Company CEO and/or an officer who is a controlling shareholder or his relative, although they were present at the stage of their presentation.

The following Directors participated in the discussions of the meeting of the Company's Compensation Committee on October 23rd, 2013, at which it was recommended to the Board of Directors in a unanimous resolution to adopt the compensation policy: Mr. Moshe Baraz, CPA (External Director), Mr. Joel Sela, CPA (External Director), and Mr. Zvi Livne, CPA. The following Directors participated in the discussions of the meeting of the Company's Compensation Committee on November 17, 2013, at which it was recommended to the Board of Directors in a unanimous resolution to adopt certain changes as detailed above and below, in the Compensation Policy following comments and discussions with the Israel Securities Authority: Mr. Moshe Baraz, CPA (External Director), and Mr. Zvi Livne, CPA. In addition, at the request of the Committee Chairman, the following also were present at the discussion: the Directors Mr. Haim Shani, Ms. Bareket Shani and Ms. Edna Ramot; the Company's Chief Financial Officer, Mr. Yair Itscovich; the Company's Controller, Ms. Miri Ben David; and the Company's external legal adviser, Adv. Nir Weisberger. Mr. Haim Shani, who is the Chairman of the Board and CEO of the Company and its controlling shareholder, and Ms. Bareket Shani, who is a Director and Mr. Haim Shani's wife, were not present and did not participate in the ~~Board of Directors'~~Committee's discussions in connection with the compensation policy components relating to the compensation of the

Company CEO and/or an officer who is a controlling shareholder or his relative, although they were present at the stage of their presentation.

Additional details

a. There were no dissenters among the Directors to the compensation policy. Both the recommendation of the Compensation Committee and the approval of the Board of Directors were given unanimously.

b. The company is not a publicly traded second-tier subsidiary.

c. As of the date of the report the Company has no effective compensation policy.

d. The Company's controlling shareholder is Mr. Haim Shani. Mr. Shani holds 6,139,551 ordinary shares of the Company of NIS 0.02 par value each (the "shares"), constituting 61.38% of the Company's issued and paid-up share capital and its voting rights (61.38% on a fully diluted basis).

The personal interest of any Director having a personal interest

All the Directors of the Company have a personal interest in the approval of the compensation policy, by virtue of being beneficiaries thereof.

Part III – Convening, Time and Implementation of an Annual and Extraordinary General Meeting,

4. Time, place and quorum

Notice is hereby given of the convening of an Annual and Extraordinary General Meeting of the Company's shareholders, which is to convene at the Zaventem Sheraton Hotel in Brussels, Belgium, on Monday, December 9th, 2013, at 12:30 a.m. (Belgium time) (the "**Meeting**").

The quorum in accordance with the Company's articles will be constituted when two shareholders holding at least thirty percent (30%) of the total voting rights in the Company are present, in person or by proxy. If a quorum is not present within half an hour from the time set for the start of the General Meeting, the Meeting will be adjourned by a week, to the same day, time and place. A quorum at an adjourned meeting will be constituted when two shareholders are present, in person or by proxy, regardless of the percentage of votes represented by them.

5. Required majority at the Meeting

5.1 Under Section 267A of the Companies Law, the approval of the resolution in Section 2.1 requires a majority of the votes of shareholders who are entitled to attend the Meeting and who participate in the vote, provided one of the following is fulfilled: (a) the count of the majority of the votes at the General Meeting must include a majority of all the votes of shareholders participating in the vote who are not controlling shareholders of the Company or who do not have a personal interest in the approval of the compensation policy, without taking into account abstentions of such shareholders; or alternatively (b) the total number of dissenting votes among shareholders participating in the vote who are not controlling shareholders of the Company or who do not have a personal interest in the approval of the compensation policy, is not more than two percent (2%) of the total voting rights in the Company.

5.2 Under Section 121 of the Companies Law, the approval of the resolution in Section 2.2 requires a majority of the votes of shareholders who are entitled to attend the Meeting and who participate in the vote, provided one of the following is fulfilled: (a) the count of the majority of the votes must include at least two thirds of all the votes of shareholders participating in the vote who are not controlling shareholders of the Company, or anyone on their behalf, or who do not have a personal interest in the approval of the resolution, without taking into account abstentions of such shareholders; or alternatively (b) the total number of dissenting votes among shareholders participating in the vote who are not controlling shareholders of the Company, or anyone on their behalf, or who do not have a personal interest in the approval of the resolution, is not more than two percent (2%) of the total voting rights in the Company.

5.3 The required majority for the approval of the items detailed in Sections 2.3, 2.4 and 2.5 on the agenda is a majority of the shareholders who are entitled to attend the Meeting and who participate in the vote.

6. Eligibility to vote

The record date under Section 182(b) of the Law and Regulation 3 of the Companies Regulations (Written Votes and Position Statements), 5766-2005, will be November 1st, , 2013 (the "**Record Date**"), such that anyone holding shares of the Company at the end of the trading day on the Record Date will be entitled to attend the Meeting and to vote thereat, in person to by proxy. In accordance with the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 5760-2000 (in this section – the "**Regulations**"), a shareholder who has a share registered with a member of the Tel Aviv Stock Exchange Ltd. and/or with an authorized broker under the Belgian law, and that share is included among the shares of the Company registered in the Register of Shareholders in the name of a nominee company and/or EuroClear Belgium / Interprofessionelle Effeotendeposito – en Girokas N.V. – Caisse Interprofessionelle de Depots et de Virements de Titres S.A., and he wishes to attend and vote at the General Meeting, will submit to the Company a certificate from the member of the Stock Exchange and/or the authorized broker under the Belgian law with whom his right in the share is registered, regarding his title to the share, on the Record Date, according to Form 1 in the Schedule to the Regulations. A power of attorney to attend and vote at the Meeting must be deposited at least 48 hours before the time of convening of the Meeting.

Under the Companies Law, a shareholder whose shares are registered with a member of the Stock Exchange may, if he so requested, receive the certificate of title from the member of the Stock Exchange through whom he holds his shares at the branch of that member, or by post to his address, in return for postage only. Such a request must be given in advance for a particular securities account.

Furthermore, a shareholder may vote at the General Meeting solely on items 2.1 and 2.2 on the agenda through a voting instrument. A vote in writing will be entered in the second part of the voting instrument attached to this report.

The number of shares equivalent to 5% of the total voting rights in the Company is: 500,116 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).

The number of shares equivalent to 5% of the total voting rights in the Company not held by the controlling shareholder is: 193,138 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).

7. <u>Voting instrument</u>

A shareholder may vote at the General Meeting through a voting instrument on items 2.1, 2.2 and 2.3 on the agenda, as detailed below:

7.1 A vote in writing will be entered in the second part of the voting instrument attached to the immediate report, as published on the Distribution Site (as defined in Section 7.6 below).

7.2 A shareholder may apply directly to the Company to receive from it the text of the voting instrument and the position statements.

7.3 A Stock Exchange member will send by email, free of charge, a link to the text of the voting instrument and the position statements on the Distribution Site, to every shareholder who is not registered in the Register of Shareholders and whose shares are registered with that Stock Exchange member, if the shareholder notified him that he is so interested, provided notice is given prior to the Record Date regarding a particular securities account.

7.4 A shareholder whose shares are registered with a Stock Exchange member may, if he so requested, receive the certificate of title from the Stock Exchange member through whom he holds his shares, at the branch of the Stock Exchange member, or by post to his address, in return for postage only. Such a request must be given in advance for a particular securities account.

7.5 A voting instrument will be valid only if the documents listed in the voting instrument (the "Attached Documents") are attached to it, and if it is submitted to the Company's offices up to 72 hours before the time of convening of the Meeting. In this regard, the "date of submission" is the date on which the voting instrument and the Attached Documents reached the Company's offices. The deadline for the submission of position statements to the Company is up to 10 days after the Record Date.

7.6 The text of the voting instrument and the position papers, as these terms are defined in Section 88 of the Companies, can be found on the website of the Israel Securities

Authority (http://www.magna.isa.gov.il/) (the "**Distribution Site**") and on the website of the Tel Aviv Stock Exchange Ltd. (http://maya.tase.co.il/), or on the Company's website (http://www.unitronics.co.il/).

8. <u>The Company's representatives for dealing with the immediate report</u>

The Company's representative for purposes of this immediate report is Adv. Hilit Bar Sorya, the Company's in-house legal adviser, at Unitronics House, 3 Arava St., Airport City, Lod, Israel, telephone 03-9778888, fax 03-9778877.

9. <u>Inspection of documents</u>

This immediate report and the documents referred to herein, as well as the complete text of the resolutions on the agenda, may be inspected at the Company's offices, at the address detailed in Section 8 above, Sunday through Thursday, during regular business hours, after prior coordination with Mr. Yair Itscovich (telephone 03-9778888, fax 03-9778877), up to the day of the Meeting.

Sincerely yours,

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Unitronics (1989) (R"G) Ltd.

APPENDIX A: COMPENSATION POLICY

Unitronics (1989) (R"G) Ltd. (hereinafter – "the Company")

Officers Compensation Policy

Table of contents

1. Purposes of Compensation Policy Document

This document, dealing with the Compensation Policy for officers of the Company, in accordance with Amendment No. 20 of the Companies Law ("**Compensation Policy**"), sets out the Company's policy with respect to the terms of service and employment of its officers, including the compensation amount, the compensation components, the compensation determination method, the distinction made between the compensation of the Company's CEO or of a controlling-shareholder officer or his relative and the Company's other officers, etc.

2. Definitions

The terms contained in this Compensation Policy Document will have the meaning given them in the Companies Law and in the regulations made pursuant thereto, unless and to the extent that they are explicitly defined otherwise in this document, including the following terms:

"Approving Entity" – The entity or entities designated from time to time in the Companies Law as authorized to approve the terms of service and employment of any officers, as the case may be, based on the substance of the specific conditions and the identity of the specific officer.
"Company" – Unitronics (1989) (R"G) Ltd.
"Board of Directors" – The Board of Directors of the Company.
"Compensation Committee" – The Compensation Committee of the Company.
"CEO" – The Chief Executive Officer of the Company.
"Companies Law" – The Companies Law, 5759-1999, and the regulations made pursuant thereto, as amended from time to time, including also directives as issued from time to time by the Israel Securities Authority and any other authority that is competent under any law to determine the manner of interpretation and/or implementation of the provisions of laws and regulations.
"Amendment No. 20" – The Companies Law (Amendment No. 20), 5773-2012.
"salary" or "basic salary" – The fixed component in an officer's terms of service and employment, comprising the basic salary (gross) set in the employment agreement between the Company and the officer, but excluding any bonus and/or grant and/or equity-based compensation and/or other variable components, and excluding insurance, indemnification and exemption, all in accordance with the provisions of the Compensation Policy.
"fringe benefits" – An officer's terms of service and employment (excluding salary and bonus) which are regulated by law and/or in the employment agreement between him and the Company, including: (1) conditions defined in the law, such as National Insurance contributions, health tax, pension savings, vacation days, sickness days, prior notice, convalescence pay, etc.; and (2) generally accepted conditions in Israel, such as a company car, reimbursement of travel expenses, mobile phone and/or laptop computer, subsistence expenses, reimbursement of expenses, study fund and any other benefit approved by the Approving Entities, granted in connection with the officer's service at the Company and not included in another definition above or below, all in accordance with

the provisions of any specific employment agreement signed between the Company and the officer, and all in accordance with the Compensation Policy.
"bonus" and/or "grant" and/or "variable compensation" – The variable component in an officer's terms of service and employment, including one-time components and/or components derived from defined (qualitative and/or quantitative) criteria that are conditional on compliance therewith based on the parameters defined therein, such as actual performance of the officer and/or the Company, period of employment, etc., all in accordance with the provisions of the Compensation Policy.
"option" – An undertaking that confers on the purchaser thereof a right to buy or sell the underlying asset at the exercise price, or to receive the difference between the exercise price and the value of the underlying asset, all at the times and terms specified in the option.
"Zviran Survey" or **"Zviran"** – A salary and benefits survey, including a senior management survey, based on salary data collected in Israel's technology sector and including more than 100,000 employees in more than 250 companies in the high-tech, technology and information-system sectors, providing comprehensive and up-to-date information on terms of service and employment, including: salaries, fringe benefits, bonuses and benefits. The companies included in the sample are classified according to the following criteria: size (number of employees), ownership (private or public company) and company's status (Israeli company or a subsidiary of an international company). The survey shows a weighted average to each of these criteria separately, and for each component separately (fixed, variable and inclusive) This sample is published by Zviran Consulting and Surveys Ltd. and updated twice a year.
"Zviran Averege" - average value of the officers compensation, calculated by the Company on the basis of Zviran data regarding matching companies to the Company in terms of values of the tested criteria (size - 150-500 employees, ownership - public and Status - Israel).

The Compensation Policy is written in the masculine gender for reasons of convenience only; its contents apply equally to women and men, without any difference or distinction.

3. Compensation Policy – general

3.1 In accordance with the provisions of Amendment No. 20, on November 22, 2012 the Board of Directors set up a Compensation Committee which was tasked with performing the functions assigned to it in the Companies Law, and *inter alia* recommending to the Board of Directors a Compensation Policy for officers of the Company.

3.2 On October 23, 2013, after accepting the recommendation of the Compensation Committee, the Board of Directors adopted a resolution approving a Compensation Policy for Company officers for a period of three years commencing on the date of approval of the Compensation Policy by the General Meeting. On November 17, 2013, after receiving the recommendation of the Compensation Committee, the Board decided to adopt certain changes in the Compensation Policy, which are detailed in the current version.

3.3 Starting from the date of approval of the Compensation Policy by the General Meeting, the terms of service and employment of Company officers will be determined and approved in accordance with the Compensation Policy and the provisions of the Companies Law, subject to the exceptions specified in the Companies Law.

3.4 Although, as stated, the Compensation Policy requires the approval of the General Meeting, nevertheless, should the General Meeting oppose the approval of the Compensation Policy, wholly or partly, the Board of Directors may determine the Compensation Policy without the approval of the General Meeting, provided the Compensation Committee and thereafter the Board of Directors have reviewed the Compensation Policy and decided, based on detailed reasons, that the approval of the Compensation Policy in spite of the opposition of the General Meeting is to the Company's benefit.

3.5 The Compensation Policy was formulated in an orderly internal process, so as to realize, on the one hand, the Company's wish to compensate its officers for their success in achieving the Company's objectives, retain them over the long term and increase their sense of identification by creating a common interest, while ensuring, on the other hand, that the compensation according to the policy benefits the Company and its shareholders and accords with the Company's organization-wide strategy. To ensure that the foregoing is fulfilled, the Board of Directors established guiding principles for the implementation of the Compensation Policy through various mechanisms and tools, all as set out hereinafter in this document.

3.6 The Compensation Policy is an advanced tool, based on targets and measures derived, *inter alia,* from the Company's annual and multiannual work plans.

3.7 The Company will act in accordance with any present or future statutory provision relating to its Compensation Policy.

3.8 Deviations from the Compensation Policy, if and to the extent they are necessary, may be made according to the mechanisms established in the Companies Law. If an officer is granted terms of service and employment that are inferior to those set out in this Compensation Policy, this will not be considered a deviation or divergence from the Company's Compensation Policy, and such terms of service and employment will not require approval for that reason, apart from the approval of the Approving Entity, to the extent that such approval is required for terms of service and employment in deviation from a Compensation Policy.

3.9 Updates to the Compensation Policy will be examined, discussed and approved by the Approving Entities in accordance with the provisions of the Companies Law. In addition to the areas of responsibility of the Approving Entities in connection with the Compensation Policy, as set out below, maintaining the currency of the Compensation Policy is also the responsibility of the Company's Vice President of Human Resources.

3.10 It is clarified that this document does not in and of itself confer any right on officers and/or any other third party, explicitly or implicitly, and it may not be used in the interpretation of agreements or other legal documents, even if they deal with the terms of service and employment of officers.

4. Compensation Policy formulation and approval process

The following are the entities that participate in the formulation and approval of the Compensation Policy:

4.1 **<u>Compensation Committee</u>:** The Compensation Committee gives the Board of Directors its recommendation regarding the approval of the officers' Compensation Policy. Details of the functions and powers of the Compensation Committee are set out in Section 118B of the Companies Law and hereinafter in this document.

4.2 **<u>Board of Directors</u>:** The Board of Directors approves the Compensation Policy and considers from time to time the need to update it. Details of the functions and responsibilities of the Board of Directors in connection with the Compensation Policy, in addition to those established in the Companies Law, are set out in Section 6 below.

4.3 **<u>General Meeting</u>:** Approves the Compensation Policy in accordance with the provisions of the Companies Law, subject to the qualification referred to in Section 3.4 above.

4.4 **<u>General</u>:** Any other, different or additional entity defined from time to time in the Companies Law as an Approving Entity. In addition, the Board of Directors and/or the Compensation Committee will turn to external advisers, as they see fit, for assistance in the formulation/revision of the Compensation Policy as well as with respect to oversight and control over its actual implementation.

5. Purposes of Compensation Policy

The purpose of the Compensation Policy is to help the Company advance its goals, work plans and policies in the long term, while striving to achieve the following objectives:

5.1 Recruitment and retention of quality personnel, in order to help the Company achieve its objectives.

5.2 Enhancing the motivation of Company officers, by creating a correlation between their personal success and the Company's success in achieving its objectives.

5.3 Improving the balance between the fixed and variable compensation components, as well as between the long-term and the short-term compensation components.

5.4 Setting benchmark ranges for the terms of service and employment of Company officers, both in comparison with standard terms of service and employment in the market and in comparison with the average salary of the Company's other employees.

5.5 Increasing the involvement of the Company's shareholders in determining the terms of service and employment of Company officers.

6. Oversight and Control of Officers' Compensation

6.1 The Board of Directors is in charge of the management and implementation of the Compensation Policy as well as all the activities required for this purpose, including the authority to interpret the provisions of the Compensation Policy, as necessary, also but not only in case of a doubt regarding the manner of its implementation. Without derogating from the above, the Approving Entities will examine the degree of compliance with the criteria (benchmarks) set in the Compensation Policy, prior to the approval of terms of service and employment for a Company officer, taking into account the data presented to them by the Company's management.

6.2 The Board of Directors will discuss and decide on the manner of supervision of the proper implementation of the Compensation Policy, in order to ascertain that the officers' terms of service and employment accord with the Compensation Policy, while maintaining consistency between the Compensation Policy and the Company's annual and multiannual work plans and its budget. Among other things, the Board of Directors will establish rules for control, reporting and correction of deviations, if any, from the Compensation Policy.

6.3 The Board of Directors will review the Compensation Policy periodically, and at least once a year shortly before the date of approval of the Company's financial statements, as detailed in Section 6.4 below, with respect to the officers' performance level and compliance with predetermined targets, with respect to the conformance of the terms of service and employment actually granted by the Company to the benchmarks and other criteria set in this Compensation Policy, and with respect to the Company's risk level, and it will update the Compensation Policy (should it consider this necessary) after receiving the Compensation Committee's recommendation and subject to the approval of the General Meeting, insofar as required by the Companies Law.

6.4 Shortly before the date of approval of the Company's annual financial statements, beginning in the year in which the Compensation Policy has been approved, the Compensation Committee and the Board of Directors will discuss the implementation of the Compensation Policy in the relevant year and consider, *inter alia,* the measures underlying the compensation targets pursuant to the policy, as presented by the Company's management.

6.5 As part of the process of approval by the Board of Directors of each annual and multiannual work plan of the Company, including their various components, the Board of Directors will consider whether the Company's work plans and budget are consistent with its existing Compensation Policy.

7. Board of Directors' guiding principles for implementing the Compensation Policy

The Board of Directors' guiding principles for implementing the Compensation Policy are intended to ensure a proper balance between the wish to incentivize and retain officers in the Company and the requirement that the Compensation Policy benefit the Company and its shareholders and accord with the Company's work plans and its organization-wide strategy.

In accordance with the Board of Directors' resolution, the Compensation Policy will not be implemented in a manner liable to create incentives for taking risks that deviate from the Company's risk policy, as determined from time to time by the competent organs.

Therefore, whenever the Company's management and the Approving Entities engage in implementing the Compensation Policy, their decisions will be guided, *inter alia,* by the following principles:

7.1 <u>Conformance between the Compensation Policy and the Company's financial position and long-term goals</u> – The Compensation Policy includes budget limitations as well as personal caps for officers, to which the Approving Entities must strictly adhere when considering and approving an officer's terms of service and employment. Any deviation from any or all of the provisions of the Compensation Policy is subject to the conditions set forth in Section 7.7 below.

7.2 Conformance between the Compensation Policy and compliance with targets – Implementation of the Compensation Policy must reflect the officer's contribution, within the organizational unit in which he operates, to the Company's operations and results. The compensation targets included in the Compensation Policy are classified at two levels within the Company: (a) quantitative targets connected with the organizational unit in which the officer is employed at the Company and/or with the Company as a whole; (b) qualitative targets connected with the officer himself and his functioning.

7.3 Connection between an officer's compensation and the Company's business results – The terms of service and employment of Company officers will be affected, among other factors, by the Company's business results and by each officer's contribution to the achievement of those results. The higher up an officer is in the managerial hierarchy, the greater the impact the Company's business results and his personal contribution to the achievement of those results will have on the amount of his compensation. Accordingly, the higher an officer's ranking in the managerial hierarchy, the greater the weight of the variable compensation components (to the extent there are any such in the officer's terms of service and employment) will be within the terms of service and employment of that officer.

7.4 Quantitative criteria – The Compensation Policy establishes quantitative criteria for examining an officer's performance in terms of compliance with different performance levels. These criteria must be reflected within the framework of the implementation of the Compensation Policy.

7.5 Qualitative criteria – The Compensation Policy establishes, in addition to financial criteria, qualitative criteria for examining an officer's performance also with respect to non-financial criteria. These criteria as well must be reflected within the framework of the implementation of the Compensation Policy. Such qualitative criteria will be applied, *inter alia,* on the basis of recommendations by the CEO to the appropriate organs of the Company to approve, subject to any law: (a) the grant of bonuses classified as short-term variable compensation plans within the framework of the qualitative components ("**manager's evaluation**"); and (b) the grant of a special bonus, all the above as detailed in Sections 15-16 below.

7.6 Balancing between the quantitative criteria and the qualitative criteria – In implementing the Compensation Policy, the Company must strive to achieve an appropriate balance between the variable components and the fixed components of the officers' terms of service and employment, giving the appropriate relative weight to the quantitative criteria, on the one hand, and the qualitative criteria, on the other.

7.7 Components designed to allow managerial flexibility in response to exceptional circumstances – The Compensation Policy includes definitions that allow the Approving Entities managerial flexibility when acting within the framework of the policy, as well as the possibility of deviating from any or all of the provisions of the policy, in "special cases,"[1] based on considerations of the Company's good, in accordance with the provisions of the Companies Law. Where approval is given for compensation not in accordance with the Compensation Policy, the Approving

[1] Special cases can include exceptional qualifications of the officer, retention of an especially high-quality officer by the Company, exceptional achievements of an officer, and any other special circumstances determined by the Approving Entities to constitute a special case in this regard, based on reasons that will be set out in every such decision.

Entities will nevertheless examine all the considerations and criteria set out in this document and those obligated by the Companies Law.

8. Effect of the Company's size and the nature of its activity on officers' compensation

In formulating the Compensation Policy, the Compensation Committee and the Board of Directors considered, among other things, the effect of the Company's size as well as the areas in which it operates and the scope of its operations on the Compensation Policy, relative to the Zviran Survey – a salary survey in Israel's technology sector in which the Company also participates. A comparison between the compensation components at the Company and the compensation components, according to the Zviran Survey, at companies which are similar to the Company in terms of size (150-500 employees), ownership (public) and status (Israeli company) (the comparison is based on the Zviran Survey, as discussed in Section 11.6 below), the compensation components detailed in this Compensation Policy Document for officers of the Company are appropriate, fair and reasonable. A similar ad-hoc examination will be performed for the terms of service and employment actually granted to each Company officer, prior to signing an agreement with him and from time to time at intervals to be determined.

In addition, if and to the extent that the scope of operations of the Company and/or its areas of operation change significantly, the Compensation Committee and the Board of Directors will examine the effect of such change on the terms, criteria and benchmarks set in this Compensation Policy Document, and, if necessary, will act to have it updated in accordance with the provisions of the Companies Law.

9. Ratio between officers' compensation and compensation of the Company's other employees

The Company sees great importance in maintaining reasonable and fair differences between the compensation paid to Company officers and the compensation paid to non-officer employees.

The Compensation Committee and the Board of Directors examined the ratio between the existing terms of service and employment of officers and the existing average and median salary of the Company's other employees, as well as the ratio between the existing terms of service and employment of officers and the average and median current cost of employment of the Company's other employees. Based on this examination and considering the Company's nature, size and areas of operation, they found that this ratio is fair and reasonable and has no significantly adverse effect on labor relations at the Company. A similar ad-hoc examination will be performed for the terms of service and employment actually granted to each Company officer, prior to signing an agreement with him and from time to time at intervals to be determined.

In addition, for the purpose of maintaining such a fair and reasonable ratio, the Compensation Committee and the Board of Directors will examine from time to time, and at least once a year, the changes in this ratio. If it is found that the ratio is not fair and reasonable, *inter alia* considering the existing ratio at other public companies traded on the Tel Aviv Stock Exchange which are similar to the Company in terms of size, scope of operations and areas of operation, the Compensation Committee and the Board of Directors will consider how and by what means this ratio can again be made fair and reasonable, all in accordance with the provisions of any law.

The ratio between cost of the terms of service and employment of officers and other employees of the Company

This ratio will be calculated in relation to the terms of service and employment (annual cost[2]) of each of the senior officers employed in that period by the Company, and the cost of the annual average and median salary of the Company's other employees (apart from officers) employed by the Company in the same period.[3] The following table presents the ratio in 2012:

Name	Position	Percentage of Position	Cost of Salary (NIS Thou.)	Variable Compensation	Total Cost (NIS Thou.)	Ratio to Cost of Median Salary at the Company	Ratio to Cost of Average Salary at the Company
Haim Shani[4]	CEO and Chairman of the Board[5]	100%	1,256	104	1,360	6.21	5.76
Amit Harari	VP and Products Division Manager	100%	582	145	727	3.32	3.08
Moshe Naar	VP and Systems Division Manager	100%	647		647	2.96	2.74
Bareket Shani[6]	Director[7], Deputy Chief Executive Officer and VP of Human Resources	100%	663		663	3.03	2.81
Amir Anchel	VP and Budget Director	100%	616		616	2.82	2.61
Yair Itscovich	Chief Financial Officer	100%	553		553	2.53	2.34
Eyal Saban[8]	Vice President		404		404	2.48	2.30
	Other Directors		256		256		

10. Officer compensation components – general

10.1 The main components included in the terms of service and employment of Company officers are as follows:

- Fixed basic salary – The basic salary reflects, on the one hand, the requirements of the officer's position and his responsibilities, and, on the other hand, his qualifications, education and professional experience.

- Fringe benefits – Some of the fringe benefits are obligated by law and some are voluntary and granted in accordance with accepted practice in the labor market for officers of a similar level of seniority, with the aim of increasing the officer's motivation and to reflect the requirements and responsibilities of the position as well as the officer's qualifications, education and professional experience. The fringe benefit components are detailed in the definitions in Section 2 of this document, and the details of the terms granted in connection with each component are detailed hereinafter in this document.

[2] If the officer was employed for part of the year, this ratio will be based on the adjusted calculation for the full year (12 months)

[3] If the employee was employed for part of the year, this ratio will be based on the adjusted calculation for the full year (12 months)

[4] The Company's controlling shareholder.

[5] Without compensation for the performance of his duties as Chairman of the Board of Directors

[6] The wife of Mr. Haim Shani, the Company's controlling shareholder.

[7] Without compensation for the performance of her duties as a Director

[8] Mr. Eyal Saban provides consulting services to the Company through a company owned by him, and against a monthly management fee.

- Bonus and/or grant – This variable component is derived from defined (qualitative and/or quantitative) criteria, and varies according to the changes defined in them, such as actual performance of the officer and/or the Company, period of employment, etc. Its purpose is to compensate the officer for his efforts, achievements and contribution to the achievement of the Company's objectives, in direct proportion to his success in meeting the targets defined for him.

- Equity-based compensation – As set out in Section 23 below.

10.2 Whenever the Approving Entities are required to discuss and approve the terms of service and employment of a Company officer, all the proposed terms of service and employment for the officer will be presented to them, particularly those detailed in Sections 11-21 below, together with a comparison of each of them to the relevant benchmark. In the discussion, the Approving Entities will take into account all the terms and conditions, provisions, criteria and benchmarks detailed in this Compensation Policy Document, referring also to the updated Zviran measure as of then, including compliance with salary ranges, fringe benefits and variable components of the terms of service and employment, the ratio between the officer's terms of service and employment and those of the Company's other employees, the officer's education, qualifications, expertise, achievements, position and responsibilities, etc.

10.3 Any payment of a bonus or grant made, if at all, to a Company officer in accordance with the Compensation Policy, is not and shall not be deemed in any respect a part of the officer's fixed basic salary, it will not be taken into the account of the entitlement to and/or the calculation and/or accrual of any fringe benefit. Accordingly, without derogating from the generality of the foregoing, it will not serve as a component in the calculation of entitlement to vacation pay, severance pay (insofar as the officer is entitled thereto), contributions to provident and/or pension funds, etc, unless and to the extent that the governing labor laws obligate otherwise.

10.4 Ratio between officer compensation components

The desirable ~~range of~~ ratios between the variable and equity compensation components and fixed component of ~~a~~ the Company officers for a given year is shown in the following table:

Ranking	Fixed compensation including fringe benefits	Variable compensation		Equity-based compensation
		Qualitative component~~Special bonus~~	Measurable component~~Bonus plan~~	
CEO	~~20%-~~100%	~~0~~100%	~~0%-75~~400%	~~0%-10~~50%
VP and/or another officer	~~20%-~~ 100%	~~0%-33~~75%	~~0%-75~~300%	~~0%-10~~50%
Directors	100%	-	-	-

10.5 Current Company officer compensation components compared to average data according to Zviran

The ratio between the scope of remuneration of Company officers in 2012 and the compensation components for officers in corresponding positions in similar companies according to the criteria of size (150-500 employees), ownership (public company) and status (Israeli company) according to the Zviran data for September 2012, was calculated in the following manner:

% fixed salary to Zviran average (*) = Officer's fixed salary paid by the Company / Zviran's Average of fixed salary ~~according to Zviran~~

% variable compensation to Zviran average = Officer's variable compensation paid by the Company / Zviran's Average of variable ~~components according to Zviran~~compensation

% total compensation to Zviran average = Officer's total compensation paid by the Company / ~~Total~~ Zviran's average ~~according to Zviran~~of total compensation

The ratio (in percentage) between the salary of the Company's officers for 2012 and Zviran averages for various components to corresponding positions in similar companies, based on a Zviran survey for September 2012, is presented in the table below, the table also lists the Zviran average values of September 2012 to equivalent positions in similar companies:~~The position of the salary of officers at the Company relative to the Zvran average is shown in the following table:~~

Component	Fixed Salary		Variable compensation		Total compensation	
Officer	Ratio ~~of fixed salary to average salary per Zviran~~ (%)	Zviran Average	Ratio ~~of variable compensation to average variable compensation (per Zviran)~~ (%)	Zviran Average	Ratio ~~of total compensation to average total compensation per Zviran~~ (%)	Zviran Average
CEO and Chairman of the Board	82%	94	31%	331	70%	121
VP and Products Division Manager	74%	51	109%	132	81%	62
VP and Systems Division Manager	89%	51	0%	132	73%	62
Director, Deputy CEO and VP Human Resources	97%	45	0%	75	85%	52
VP and Budget Director	77%	51	0%	132	64%	62
CFO	74%	52	0%	109	63%	61
VP	62%	51	0%	132	51%	62

(*) May not exceed the limit set in Sections 11.6 and 12.6 for a non-CEO officer and/or a non-employee officer, respectively, and in Section 14.6 for an officer in the position of CEO and/or a controlling-shareholder officer and/or his relative.

11. Fixed compensation – salary of an employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a Director

In determining the basic salary for an officer, the following factors will be taken into account:

11.1 The officer's education, qualifications, expertise, professional experience and achievements.

11.2 The officer's position and responsibilities, and prior salary agreements signed with him (if at all).

11.3 The ratio between an officer's terms of service and employment and the salary of the Company's other employees as well as the employees of subcontractors employed at the Company, particularly the ratio to the average salary and the median salary of such employees and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining an officer's salary (whether with reference to new employment terms or an adjustment of existing employment terms), the data will be submitted to the approval of the Approving Entity, including for consideration, if necessary, of their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.

11.4 The officer's basic salary and the fringe benefits will be determined during the negotiations prior to hiring him for the position at the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service and employment is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the identity of the officer.

11.5 A contract with an officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.

11.6 Market (benchmark) comparison – Fixed salary of an employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)

In addition to any examination that must be carried out by the Approving Entity prior to approving an officer's terms of service and employment, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the fixed basic salary of Company officers and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary range for Company officers that conforms to the market standard and market terms, a comparison will be made between the fixed salary proposed for the officer and the Zviran's ~~average~~ average of the salary for corresponding positions, ~~based on the Zviran Survey~~ , at companies with similar characteristics as detailed above.

For the purpose of implementing the comparison, as detailed above, the salary of a Company officer will be determined such that it does not exceed by more than 40%

the average salary according to ~~the updated~~ Zviran ~~Survey as of then~~(the fixed salary cap prescribed in this section to an officer calculated according to Zviran average for September 2013, is in the range of NIS 65 to 78 thousand per month according to the position), for a corresponding position in similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company).

12. Fixed compensation – salary of a non-employee officer

In determining the basic salary for a non-employee officer, the following factors will be taken into account:

12.1 The officer's education, qualifications, expertise, professional experience and achievements.

12.2 The officer's position and responsibilities, and prior salary agreements signed with him (if at all).

12.3 The ratio between the terms of service and employment of a non-employee officer and the salary of the Company's employees and service providers, particularly the ratio to the average salary and the median salary of such employees and service providers and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining the consideration for the officer, the data will be submitted to the approval of the Approving Entity, including consideration, if necessary, of their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.

12.4 The consideration for the officer will be determined during the negotiations prior to contracting as a service provider to the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service, and any change in the agreement, is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the identity of the officer.

12.5 A contract with a non-employee officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.

12.6 Market (benchmark) comparison – Fixed salary of a non-employee officer (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)

In addition to any examination that must be carried out by the Approving Entity prior to approving an officer's terms of service and employment, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the consideration for a non-employee officer and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary range for Company officers that conforms to the market standard and conditions, a comparison will be made between the fixed salary proposed for the officer and the Zviran's average of a salary for corresponding positions, ~~based on the Zviran Survey~~ , at companies with similar characteristics as detailed above.

For the purpose of implementing the comparison, as detailed above, the salary of a Company officer will be determined such that it does not exceed by more than 40% the updated Zviran's average salary ~~according to the updated Zviran Survey as of then~~ (the fixed salary cap prescribed in this section to an officer calculated according to Zviran average for September 2013, is in the range of NIS 65 to 78 thousand per month according to the position), for a corresponding position in similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company), with the addition of the costs of employer's tax and social benefits as customary for employee officers.

An officer must undertake to transfer or to cause to be transferred to the appropriate authorities income tax payments, National Insurance contributions and any other tax and/or payment due in respect of the payments made to him by the Company.

An officer must undertake to the Company that if the court and/or another competent body determines that employer-employee relations existed between the officer and the Company, the Company's payments to the officer will be deemed to include all the payments to which the Company will be liable in respect of employer-employee relations.

An officer and the body employing him must indemnify the Company for any damage and/or costs incurred to the Company pursuant to a finding that employer-employee relations existed between the officer and the Company.

12.7 At the time of the signature of the contract with him, a non-employee officer, like the Company's other employees, must give an undertaking on matters of confidentiality, transfer of intellectual property rights and IT policies as detailed in Section 13.16 below.

13. Officers' fringe benefits (excluding the Company CEO and/or a controlling-shareholder officer or his relative and/or a director)

In addition to any examination that must be carried out by the Approving Entity prior to the approval of an officer's terms of service and employment, and in addition to any consideration that must be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the Approving Entities must consider whether, and under what conditions, also to grant to officers all or any of the fringe benefits detailed in this section below or any other fringe benefits:

13.1 Prior notice – The prior notice period for an officer may not be less than the period required by law, and may not be more than six months, in the course of which the officer will undertake to actually continue providing services to the Company, unless the Company decides to release him from this obligation.

13.2 Severance grant – The Approving Entity may grant an officer a severance grant, in addition to the severance pay required by law, in an amount subject to the following limit:

Employed up to 5 years at the Company	**Employed 5 years or more at the Company**
6 months	12 months

Severance grants will be approved for an officer who has met all of the following conditions:

- He was employed by the Company for at least two years.
- During the period of his employment he made a significant contribution to promoting the Company's business.
- The officer is not leaving under circumstances that, in the Approving Entity's judgment, would justify withholding severance pay.
- The Company CEO recommended the payment of a severance grant.
- The inclusion of a clause in the employment agreement that guarantees the payment of a severance grant must be submitted to the approval of the Approving Entity prior to the signature of the agreement. For the avoidance of doubt, such a clause may not guarantee a severance grant that deviates from the above provisions. The severance grant will be paid upon the termination of employer-employee relations and will be limited to an amount equal to the number of months specified in the above table multiplied by the fixed salary of an employee officer (or the total monthly consideration of a non-employee officer), without any additional components.
- The limit on the grant specified in the above table is the maximum limit that the Approving Entity is authorized to approve.

13.3 <u>Non-competition</u> – Each Company officer must undertake, when signing an employment agreement with the Company, not to compete with the Company during a period of no less than six months and no more than 36 months, in the Company's standard wording from time to time.

13.4 <u>Reimbursement of expenses</u> –Company officers are entitled to reimbursement of reasonable expenses actually incurred by them in the performance of their duties, both in and outside Israel, against the presentation of invoices and/or receipts to the Company in respect of those expenses, subject to limitations and in accordance with procedures as determined by the Company from time to time. Once a year the Board of Directors or whoever is appointed by it will examine the reasonableness of the costs borne by the Company pursuant to this subsection.

13.5 <u>Annual vacation</u> – Employee officers are entitled to annual vacation ranging from the minimum number of days specified in the law to a maximum of 30 days a year. The number of vacation days that may be accumulated will be no less than specified in the labor laws and no more than 30 days. Unused vacation days beyond this limit will be written off, without payment of any consideration to the officer, unless and to the extent that the employment agreement between the officer and the Company specifies otherwise and/or the law requires otherwise.

13.6 <u>Sick leave</u> – Employee officers may be absent from work due to sickness for a number of days in a year being no less than the number specified in the Sick Pay Law, 5736-1976. specified in the Sick Pay Law, 5736-1976. The Company may make the payment of sick pay conditional on the presentation of certificates in accordance with the provisions of any law.

13.7 <u>Convalescence pay</u> – Employee officers are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.

13.8 <u>Pension savings</u> – The Company will pay contributions to a pension provider (or several pension providers) or to a pension agent according to the written choice of each employee officer and in accordance with the provisions of any law governing the subject. The contributions will be on the officer's basic salary only, excluding any other compensation components.

The Company may condition payment of the contributions on the officer's agreement to deduct his share of the contributions from his salary.

The Company will insure employee officers for work disability, as part of their membership in a pension fund or as part of the insurance cover for officers insured under an executive insurance policy. The Company's contributions for work disability insurance will not exceed 2.5% of the salary of an employee officer.

Employee officers will be required to sign the wording of the Minister of Labor's general confirmation pursuant to Section 14 of the Severance Pay Law, 5723-1963 or any other or similar arrangement that may replace it, and the Company will pay the severance pay of employee officers into a pension fund or an executive insurance policy, according to the officers' choice with respect to contributions to pension insurance.

13.9 Study fund – The Company will contribute each month an amount equal to 7.5% of an employee officer's salary and deduct an additional 2.5% from his salary, and it will transfer these amounts to a study fund according to the officer's choice as notified by him in advance and in writing to the Company.

13.10 Car – The Company may place at the officers' disposal a car for use for their work, with all the car servicing and maintenance costs to be borne by the Company in accordance with its procedures. The Company will be entitled to gross up and pay the income tax due in respect of possession and use of the car.

13.11 Mobile phone and/or laptop computer – The Company will place at the officer's disposal a mobile phone and/or laptop computer for his personal use, according to the Company's choice. The officer will pay any tax that is due from him for the use of such phone and/or laptop.

13.12 Subsistence expenses – An officer is entitled to lunch at the Company's offices during work hours, and he will bear any tax payable on this benefit. The officer will be entitled to subsistence expenses also while traveling abroad on Company business, in accordance with the Company's procedures for all Company employees as in effect from time to time.

13.13 Continuing education programs and courses – The Company will bear the costs of continuing education programs and courses attended by its officers, according to its decision.

13.14 Overtime – Overtime will be paid in accordance with the law. Accordingly, some Company officers will be subject to the Hours of Work and Rest Law, 5711-1951, while others will not, since they are designated as "employees in management positions or in positions requiring a special degree of personal trust" as this term is defined in the Hours of Work and Rest Law, 5711-1951. Without derogating from the foregoing, the Company reserves the right to reach an agreement with an officer whose terms of employment are governed by the aforesaid law and who is required to do overtime, concerning the payment of a global monthly sum for overtime, instead of the payment of overtime on a daily or weekly basis.

13.15 Definition-dependent salary components – The Company may base a portion of the officer's salary on special components connected with the performance of specific tasks related to his area of responsibility, including payment based on shifts, on-call duty, etc.

13.16 Confidentiality, transfer of intellectual property rights, IT policies – When signing an employment agreement with the Company, each Company officer will commit to confidentiality, undertake to transfer to the Company all his rights in any developments and other intellectual property developed by him in the course of his employment by the Company, and agree to the Company's policies on the use of and access to the Company's IT systems, in the Company's standard wording from time to time.

14. Fixed compensation – salary of the Company CEO and/or a controlling-shareholder officer or his relative

In determining the salary of the CEO and/or a controlling-shareholder officer or his relative, the following factors will be taken into account:

14.1 His education, qualifications, expertise, professional experience and achievements.

14.2 His responsibilities and prior salary agreements signed with him (if at all).

14.3 The ratio between the terms of service and employment of the CEO and/or the controlling-shareholder officer or his relative and the salary of the Company's other employees as well as the employees of subcontractors employed at the Company, particularly the ratio to the average salary and the median salary of such employees and the effect of the differences between them on labor relations at the Company (collectively in this section – the "data"). For the purpose of determining the salary of the CEO and/or a controlling-shareholder officer or his relative (whether with reference to new employment terms or an adjustment of existing employment terms), the data will be submitted to the approval of the Approving Entity, including a reference, if necessary, to their reasonableness relative to the industry, relative to the officer's qualifications and relative to the challenges and difficulties involved in the position.

14.4 The officer's basic salary and the fringe benefits will be determined during the negotiations for hiring him for the position at the Company, which will be conducted by the CEO or whoever is authorized by him from time to time. Any change in an officer's terms of service and employment is subject in any case to the approval of the Approving Entity relevant to the nature of the change and the nature of the officer.

14.5 A contract with an officer may not exceed a period of three years, and must be submitted to the Approving Entity for approval of an extension of the officer's service in accordance with the requirements of the Companies Law.

14.6 Market (benchmark) comparison – Fixed salary of the Company CEO and/or a controlling-shareholder officer or his relative

In addition to any examination that must be carried out by the Approving Entity prior to approving the terms of service and employment of the Company CEO and/or a controlling-shareholder officer or his relative, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the ratio between the fixed basic salary of the Company CEO and/or a controlling-shareholder officer or his relative and the standard salary in the market will be maintained, as follows:

Market (benchmark) comparison – To determine a salary for the CEO and/or a controlling-shareholder officer or his relative that conforms to the market standard and conditions, a comparison will be made between the salary proposed for each of them and the Zviran's average of a salary for corresponding positions, based on the Zviran Survey updated as of then. The salary of the CEO and/or of a controlling-shareholder officer or his relative will be determined such that it does not exceed by more than 40% the Zviran's average of a salary according to ~~the updated Zviran Survey in~~ similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company).((the fixed salary cap prescribed in this section to an officer is calculated according to Zviran's average for a CEO to September 2013, is NIS 129 thousand per month).

15. Fringe benefits of the Company CEO and/or a controlling-shareholder officer or his relative

In addition to any examination that must be carried out by the Approving Entity prior to the terms of service and employment of the CEO and/or a controlling-shareholder officer or his relative, and in addition to any consideration that must be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the Approving Entities must consider whether, and under what conditions, also to grant to the CEO and/or a controlling-shareholder officer or his relative all or any of the fringe benefits detailed in this section below:

15.1 Prior notice and termination of employment – The prior notice period for the CEO and/or for a controlling-shareholder officer or his relative may not be less than the period required by law, and may not be more than six months, in the course of which such officer will undertake to actually provide services to the Company, unless the Company decides to release him from this obligation. The termination of the employment of the Company CEO can be made subject to special conditions, including a majority resolution of up to 75% of the members of the Company's Board of Directors.

15.2 Severance grant – The Approving Entity may grant the CEO and/or a controlling-shareholder officer or his relative a severance grant, in addition to the severance pay required by law, in an amount subject to the following limit:

Employed up to 5 years at the Company	**Employed 5 years or more at the Company**
6 months	12 months

Severance grants will be approved for an officer who has met all of the following conditions:

- He was employed by the Company for at least two years.
- During the period of his employment he made a significant contribution to promoting the Company's business.
- The officer is not leaving under circumstances that, in the Approving Entity's judgment, would justify withholding severance pay.
- The Company CEO (or the Chairman of the Board, in the case of a departing CEO) recommended the payment of a severance grant.
- The inclusion of a clause in the employment agreement that guarantees the payment of a severance grant to an officer must be submitted to the approval of the Approving Entity prior to the signature of the agreement. For the avoidance

of doubt, such a clause may not guarantee a severance grant that deviates from the above provisions. The severance grant will be paid upon the termination of employer-employee relations and will be limited to an amount equal to the number of months specified in the above table multiplied by the fixed salary of the employee officer (or the total monthly consideration of a non-employee officer), without any additional components.

- The limit on the grant specified in the above table is the maximum limit that the Approving Entity is authorized to approve.

15.3 Non-competition – The CEO and/or a controlling-shareholder officer or his relative must undertake, when signing an employment agreement with the Company, not to compete with the Company during a period of no less than six months and no more than 36 months, in the Company's standard wording from time to time.

15.4 Reimbursement of expenses – The CEO and/or a controlling-shareholder officer or his relative are entitled to reimbursement of reasonable expenses actually incurred by them in the performance of their duties, both in and outside Israel, against the presentation of invoices and/or receipts to the Company in respect of those expenses, subject to limitations and in accordance with procedures as determined by the Company from time to time. Once a year the Board of Directors or whoever is appointed by it will examine the reasonableness of the costs borne by the Company pursuant to this subsection.

15.5 Annual vacation – The CEO and/or a controlling-shareholder officer or his relative are entitled to annual vacation ranging from the minimum number of days specified in the law to a maximum of 30 days a year. Vacation days may be accumulated during two years. Vacation days not utilized during said period of accumulation will be redeemed pro rata as salary and paid to the CEO and/or the controlling-shareholder officer or his relative.

15.6 Sick leave – The CEO and/or a controlling-shareholder officer or his relative may be absent from work due to sickness for a number of days in a year being no less than the number specified in the Sick Pay Law, 5736-1976, and no more than 30 days in a year, and receive full payment for these days. Sick days that were not utilized in a certain year will accumulate in the following years.

15.7 Convalescence pay – The CEO and/or a controlling-shareholder officer or his relative are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.

15.8 Pension savings – The Company will pay contributions to a pension provider (or several pension providers) or to a pension agent according to the written choice of the CEO and/or the controlling-shareholder officer or his relative and in accordance with the provisions of any law governing the subject. The contributions will be on the basic salary only of the CEO and/or the controlling-shareholder officer or his relative, excluding any other compensation components.

The Company may condition the payment of contributions for pension insurance on the agreement of the CEO and/or the controlling-shareholder officer or his relative to deduct his share of the contributions from his salary.

The Company will insure the CEO and/or the controlling-shareholder officer or his relative for work disability, as part of their membership in a pension fund or as part of the insurance cover for officers insured under an executive insurance policy. The

Company's contributions for work disability insurance will not exceed 2.5% of the fixed salary of the CEO and/or the controlling shareholder officer or his relative.

The CEO and/or the controlling-shareholder officer or his relative will be required to sign the wording of the Minister of Labor's general confirmation pursuant to Section 14 of the Severance Pay Law, 5723-1963 or any other or similar arrangement that may replace it, and the Company will pay their severance pay into a pension fund or an executive insurance policy, according to their choice with respect to contributions to pension insurance.

15.9 Study fund – The Company will contribute each month an amount equal to 7.5% of the salary of the CEO and/or the controlling-shareholder officer or his relative and deduct an additional 2.5% from his salary, and it will transfer these amounts to a study fund according to the choice of the CEO and/or the controlling-shareholder officer or his relative, as notified by him in advance and in writing to the Company.

15.10 Car – The Company may place at the officers' disposal a car for use for their work, with all the car servicing and maintenance costs to be borne by the Company in accordance with its procedures. The Company will be entitled to gross up and pay the income tax due in respect of possession and use of the car.

15.11 Mobile phone and/or laptop computer – The Company will place at the officer's disposal a mobile phone and/or laptop computer for his personal use, according to the Company's choice. The officer will pay any tax that is due from him for the use of such phone and/or laptop.

15.12 Subsistence expenses – The CEO and/or a controlling-shareholder officer or his relative is entitled to lunch at the Company's offices during work hours, and he will bear any tax payable on this benefit. The CEO and/or a controlling-shareholder officer or his relative will be entitled to daily subsistence expenses also while traveling abroad on Company business, in accordance with the Company's procedures for all Company employees as in effect from time to time.

15.13 Continuing education programs and courses – The Company will bear the costs of continuing education programs and courses attended by the CEO or a controlling-shareholder officer or his relative, according to its decision.

15.14 Overtime – Overtime will be paid in accordance with the law. Since the CEO and/or a controlling-shareholder officer or his relative are designated as "employees in management positions or in positions requiring a special degree of personal trust" as this term is defined in the Hours of Work and Rest Law, 5711-1951, this law does not apply to them.

15.15 Definition-dependent salary components – The Company may base a portion of the salary of the CEO and/or a controlling-shareholder officer or his relative on special components connected with the performance of specific tasks related to his area of responsibility, including payment based on shifts, on-call duty, etc.

15.16 Confidentiality, transfer of intellectual property rights, IT policies – When signing an employment agreement with the Company, the CEO or a controlling-shareholder officer or his relative will commit to confidentiality, undertake to transfer to the Company all his rights in any developments and other intellectual property developed by him in the course of his employment by the Company, and agree to the Company's policies on the use of and access to the Company's IT systems, in the Company's standard wording from time to time.

16. Variable compensation – special bonus to officers, excluding a controlling-shareholder ~~the Company CEO~~

In addition to all the foregoing, the Approving Entities will consider whether, and under what conditions, also to pay officers (excluding s controlling- shareholder) a special bonus.

The considerations for paying an officer (excluding s controlling- shareholder) a special bonus will include special effort, compliance with quality targets, retention of human capital and maintaining high motivation. ~~The sum total of special bonuses paid for the previous year may not exceed 50% of the cumulative measurable components distributed in that year to all officers as part of the variable compensation, subject in any case to the following two cumulative conditions: (a) The grant may not exceed the Zviran average for variable components in a corresponding position in the sector (annual bonuses, commission and/or other periodical payments), and (b) the~~ The cap on the calendar annual special bonus for an officer (excluding s controlling- shareholder) shall be the higher between (a) 20% of the officer's total annual variable compensation or (b) 3 times the officer's monthly salary ~~may not be more than six times the officer's monthly salary~~. ~~On the CEO's recommendation,~~ ~~the~~ The payment of a special bonus to an officer (excluding s controlling- shareholder) will be submitted to the approval of the Approving Entity, which, if necessary, will also consider the circumstances of the grant.

17. Variable compensation – bonus plan for officer excluding the Company CEO

17.1 The mechanism for payment of an annual bonus and/or grant to officers excluding the CEO is determined based on one or more of the following components, compliance with which is examined on a yearly basis:

a. Measurable components – Personal targets and/or targets of the organizational unit in which the officer is employed, as defined from time to time and for the specific officer by the Approving Entities, including but not limited to measures of profitability, return on equity, cash flow, sales targets, growth, EBIDTA, capital issues, business performance and/or a combination of one or more of these measures, or other measures.

b. Non measurable components – CEO's evaluation.

17.2 The amount of the bonus to which an officer is entitled will be determined with reference to his rate of compliance with the aforesaid targets, as determined in advance and approved by the Approving Entities, who will consider, *inter alia,* the impact of those targets on the Company's risk management policy. Said targets will be, to the extent possible, realistic and reasonable, so that the officer does not assume excessive risks with the aim of achieving those targets and earning a bonus.

17.3 The CEO's evaluations relates to subjective and quality measures, such as initiative, innovativeness, quality of management, loyalty to the organization, determination, personal advancement,, team work, human relations, additional tasks, etc., all subject to the CEO's judgment.

17.4 Bonus determination mechanism

The mechanism for calculation of the target-compliance bonus will be determined according to the following breakdown:

17.4.1 ~~60%~~ 80% - 100% for at least two of the following financial targets according to the segment to which the officer belongs: volume of sales, gross profit, EBIDTA and segment result as calculated based on the Company's consolidated financial statements. A quantitative scale will be applied to each of the financial targets, as follows:

17.4.1.1 Minimum performance threshold below which an officer will not earn a bonus.

17.4.1.2 Maximum performance threshold within which the officer will earn a proportionate bonus and above which the officer's performance will be deemed exceptional and will earn him an addition bonus for a predetermined amount.

17.4.2 Up to 20%~~-40%~~ for qualitative targets based on the CEO's evaluation, as discussed above.

17.5 Threshold condition for payment of a bonus – The Approving Entities may set minimum threshold conditions for the payment of a grant, based on one or more measurable financial components with respect to the Company's performance during the year for which the grant is to be paid.

17.6 Bonus approval process and / or the actual bonus - at the end of each year, the degree of the officer's compliance his personal goals that had been set to him, in advance and in goals of the sub- organizational frame in which he is employed and a CEO evaluation shall be conducted. The actual grants be actual paid to officers, will be submitted to the approval of the Approving Entity, soon after the approval of the financial statements of the Company for the year for which the bonus is payable.

18. Variable compensation – bonus plan for the Company CEO

In addition to all the foregoing, the Approving Entities will consider whether, and under what conditions, also to pay the Company CEO a special bonus, based on targets or other conditions as detailed above and below, according to a fixed mechanism or on an ad hoc basis.

18.1 Without derogating from the generality of the foregoing, the Company CEO is entitled to an annual grant for each calendar year during which he is employed as Company CEO, within 30 days from the date of approval of the financial statements for any calendar year by the Board of Directors, at a rate of ~~7.5%~~ of the pretax profit for that year (cost to the Company), net of minority interests in respect of investee companies ("**bonus on profits**"). The rate of the bonus from the profit, as approved by the Approving Entity shall not exceed 10%. The bonus on profits will be calculated for each year anew (and not cumulatively), without taking losses into account. The Company may pay the bonus fully from the Company itself or partly from the Company and partly from subsidiaries of the Company.

18.2 ~~Since~~ In case that the Company's CEO is also its controlling shareholder, any change in his fixed salary and/or a bonus is subject to the approval of the Approving Entity, in accordance with the provisions of the Companies Law, unless and to the extent that the Companies Regulations (Reliefs in Transactions with Interested Parties), 5760-2000 applies and/or in case of any other approval process applicable under any law.

19. Variable compensation – officers' bonus plan, including the Company CEO – ~~market (benchmark) comparison~~Cap

In addition to any examination that must be carried out by the Approving Entity prior to approving a bonus for a Company officer, including the Company CEO, based on quantitative and/or qualitative components as detailed above and below, and in addition to any consideration that should be taken into account by that entity, as detailed in this Compensation Policy Document and/or in the Companies Law, the amount of the variable compensation shall be limited ~~ratio between the amount of the bonus for Company officers and the standard bonus in the market will be maintained,~~ as follows:

~~19.1 Market (benchmark) comparison – To determine the cap on the bonus for an officer under a bonus plan, a comparison will be made between the total annual compensation (fixed and variable) to which the officer is entitled and the total annual compensation according to the Zviran Survey for a corresponding position in similar companies, based on criteria of size (150-500 employees), ownership (public company) and status (Israeli company). The total annual compensation for a Company officer (including the bonus) may not exceed by ore than 200% the average annual compensation according to the updated Zviran Survey as of then ("**annual compensation cap**").~~

19.1 The total variable compensations for an officer of the Company who is not CEO shall not exceed 100 thousand per month. The total variable compensations for the CEO shall not exceed 250 thousand per month.

19.2 In a bonus plan linked to the Company's net profit, and in a year in which an exceptional net profit is recorded amounting to NIS 10 million and up, 10% of the amount beyond a net profit of NIS 10 million will be added to the aforesaid annual compensation cap.

20. Variable compensation – limitation and reduction

20.1 Limitation on the variable compensation for meeting quality objectives (un-measurable component) in a bonus program and / or special bonus - the Company shall not grant both a variable compensation to officers for meeting quality goals during a certain calendar year, and in the bonus program as part of a special bonus. Meaning, an officer that a variable compensation granted to him in respect of the bonus plan for compliance with quality objectives in a given calendar year will not receive variable compensation as special bonus to meet the quality targets in the same calendar year, and vice versa.

~~20.1~~20.2 Reduction of a bonus and/or grant – Notwithstanding anything stated in this Compensation Policy Document, the Board of Directors may, at its discretion, reduce a bonus and/or grant before it is resolved to grant it in the framework of the officer Compensation Policy, based on reasonable considerations taken into account by it, including considerations as to the Company's future financial position, its ability to meet the financial covenants to which it committed (if at all), the extent of the officer's contribution, his compliance with the targets set for him, and any other circumstance in light of which withholding such bonus and/or grant, or alternatively granting it, would benefit the Company.

~~20.2~~20.3 Cap on the realizable value of equity-based variable compensation – Equity-based variable compensation plans as in effect from time to time at the Company will include a cap on the realizable value. Nevertheless, in the framework of these plans the Board of Directors will be authorized, on the date of any allocation of options to an officer, to set and change the exercise price, the vesting period, the exercise period and all the other terms applying to any option so allocated, subject to the Compensation Policy and principles set forth in this document.

21. Bonus entitlement for a partial employment period

If employer-employee relations between an officer and the Company terminate in the course of a calendar year, the annual bonus mechanism according to this Compensation Policy will be adjusted to the partial employment period, such that the bonus amount paid to the officer will be adjusted to the period for which the officer is entitled to a bonus, including balances that would have been spread out over following years, and the bonus calculation will reflect the partial employment period only.

22. Bonus correction

It the Company's audited consolidated financial statements for any year are corrected, in such manner that ad the amount of the grant and/or bonus for measurable components that was due to an officer for that year been calculated based on the corrected data, the officer would have received a bonus in different amount (higher or lower, as the case may be), the Company will pay the officer or the officer will return to the Company, as the case may be, the difference between the amount that was actually paid and the amount which should have been paid in light of such correction, on the date of payment of the officer's next salary after the publication of the corrected statements, and in accordance with the provisions of the Wage Protection Law, 5718-1958 ("**Wage Protection Law**") with respect to the amount of the allowed deduction. This difference will be considered an agreed and liquidated amount for purposes of Sections 25(a)(6) and 25(b) of the Wage Protection Law.

The Company is permitted not to return such difference to the officer, whenever it becomes apparent that it was created due to that officer's negligent or willful act or omission.

For the purpose of implementing the foregoing, the officer will sign, on the date of payment of any bonus and/or grant, or earlier, an undertaking to return the relevant payments, in wording as determined by the Company.

23. Equity-based compensation

The Company may grant equity-based compensation, including options and shares, subject to the approval of the Approving Entity, as part of the officer's compensation mechanism, at terms to be determined by the Company.

The terms of an option plan and the exercise price will serve as an appropriate incentive for maximizing the Company's value in the long term and for encouraging the achievement of the Company's long-term objectives. In addition, criteria will be set based on which options will not be granted (such as in circumstances that justify dismissal without severance pay, noncompliance with the vesting conditions that were set, deterioration in the Company's situation due to the officer's actions, officer's breach of trust, and any other criteria determined by the Board of Director or the Board committee in charge of managing the Company's option plan).

23.1 <u>Criteria for determining equity-based compensation</u>

23.1.1 The Company will take into account the amount of the cumulative dilution resulting from all grants made by the Company. The maximum cumulative dilution allowed due to all grants made by the Company will be limited to 15%, taking into account the actual amount of unexpired grants from the last ten years, such that immediately before each grant date the current dilution percentage versus the maximum amount determined will be recalculated. In fluctuating market conditions, the dilution percentage will be calculated taking into account the difference between theoretical dilution and actual dilution.

23.1.2 The exercise price and the terms of the plan will not embody an immediate benefit ("in the money" options) and/or a rebate on the share price immediately before the grant date, taking into account the volatility of the share during the period. 4.

23.1.3 The vesting period may not be less than three years (or partial exercise over the years).

23.1.4 The exercise period may not be less than one year after each vesting date.

23.1.5 An option plan may not include an automatic renewal mechanism.

23.1.6 If the Company decides to grant phantom options (options which, on the exercise date thereof, the offeree is entitled to receive in cash (and not in shares) the **difference** between the price of the Company’s share and the pre-determined exercise price) or restricted shares (RS or RSU) (entitlement to receive shares of the Company which will be issued to the offerees after a certain restriction period), , they too will be considered equity-based compensation. To remove any doubt, the exercise price of phantom options shall not include an immediate bonus (In-the-Money Options). In the event of a plan to grant restricted shares, a goal-driven mechanism will be established, as specified in section 17.1 (a) in accordance with which the shares will be granted at the end of the restriction period.

23.1.7 No "poison pill" options/shares will be granted (preferred share arrangement, flip-over, flip-in and voting arrangement). No automatic mechanism enabling immediate acceleration of the terms of an equity-based grant will be permitted, other than in cases of a change in control.

23.1.8 The grant of options/shares of a related company will be considered based on the extent of the officer's involvement in the related company's business.

23.1.9 Granting of options / shares in a related company will be review based on the degree of involvement of the officer in the related company's businesses.

23.1.10 Re-pricing (reduction in the exercise price) of an option granted to an officer will not be permitted.

23.1.11 The exercise price and/or the number of exercise shares will be adjusted, as customary, to the distribution of dividends/bonus shares/rights or to changes in the Company's structure/capital.

23.2 <u>Ceiling for the value of annual equity-based compensation on the grant date</u>

The value of equity-based compensation that is not settled in cash shall not exceed 6 times the monthly wages of an officer on the grant date, and in any case shall be limited in relation to the total compensation as specified in the table in section 10.4.

24. Compensation of Directors and Outside Directors

24.1 Compensation of External Directors – The compensation paid to External Directors may not exceed an annual fee and an attendance fee at the rate specified in the "maximum amount" column in the Companies Regulations (Rules Concerning Compensation and Expenses of an Outside Director), 5759-2000. No share-based grants will be given to an Outside Director. Outside Directors as well will be entitled to reimbursement of expenses as provided above.

24.2 Compensation of non-officer Directors – The compensation and reimbursement of expenses paid to non-officer Directors of the Company will be the same as that paid to the Company's Outside Directors.

24.3 Chairman of the Board – As long as the Chairman of the Board also serves as an officer of the Company (in addition to being a Director), he will not be paid any compensation for serving as Chairman of the Board. If the Chairman of the Board does not also serve as an officer of the Company (in addition to being a Director), then his compensation will be as determined by the Approving Entities, subject to any approval required by law.

25. Insurance, indemnification and exemption

The Company may grant all or any of its Directors and officers one or more of the rights set out below, subject to the approvals required by law:

25.1 Insurance – Directors and officers of the Company will be insured under a directors and officers liability insurance policy for a sum up to $10,000,000 (ten million US dollars) for any one event and in the aggregate for all damages arising during the insurance period (plus another $5,000,000 in respect of legal defense costs) (the "**policy**"). The policy will be renewed every year, subject to approval by the Approving Entity to renew it from time to time at similar terms and for additional periods of up to 18 months each time.

The purpose of the policy is to confer on the Company's Directors and officers protection against claims. The terms of the policy are determined in negotiations between the Company and the insurance company, taking into consideration the areas of operation and the scope of operation of the Company and the Group, the geographical distribution of the Company's operations, the risk management policy applied by the Company, the number of insured covered by the policy and the standard terms in the market in this area.

Run-off cover – The insurance cover purchased by the Company for its Directors and officers may also include runoff arrangements for a period of up to seven years from the date of termination of their service as Directors and officers of the Company.

25.2 Indemnification and exemption – The Company may grant indemnification (prospectively and/or retrospectively) and an exemption to all or any of its

Directors and officers, according to its discretion, to the maximum extent conforming to the Companies Law and the Increased Efficiency of Enforcement Proceedings at the Israel Securities Authority Law (Legislative Amendment), 5771-2011, in wording as approved by the General Meeting of the Company's shareholders on September 22, 2011.

Unitronics (1989) (R"G) Ltd.

Voting Instrument pursuant to the Companies Regulations (Written Votes and Position Statements), 5766-2005 (the "Regulations")

PART ONE

1. **Company name:** Unitronics (1989) (R"G) Ltd. (the "**Company**").

2. **Class of General Meeting, time and place of convening:** Annual and Extraordinary General Meeting of the Company's shareholders (the "**Meeting**"). The Meeting will convene at the Zaventem Sheraton Hotel, Brussels, Belgium, on Monday, December 9th, 2013, at 12:30 (Belgium time). If the Meeting is adjourned in the absence of a quorum, an adjourned meeting will be held on Monday, December 16, 2013, at the same time and place.

3. **Details of the items on the agenda on which it is allowed to vote by a voting instrument:**

   3.1 Approval of a compensation policy for officers of the Company pursuant to Amendment No. 20 to the Companies Law, 5759-1999 (the "**Law**"), in the wording attached as **Appendix A** to the report on the convening of the Meeting (the "**Convening Report**").

   Summary of the proposed resolution: To approve the compensation policy, in the wording attached as **Appendix A** to the Convening Report, to which this voting instrument is attached.

   3.2 Authorization of Mr. Haim Shani to serve as Chairman of the Board in addition to his position as Company CEO, for an additional term of three years commencing on the date of expiration of the previous authorization period (on December 9, 2013), pursuant to Section 121(c) of the Companies Law and in accordance with the Company's articles.

   Summary of the proposed resolution: To authorize Mr. Haim Shani to serve as Chairman of the Board of the Company, in addition to his position as Company CEO, for an additional period of three years commencing on December 9, 2013.

4. **The time and place at which the complete text of the proposed resolutions can be inspected:**

   Any shareholder may, at his request, inspect the text of the proposed resolution, in the text of the immediate report issued by the Company in connection with the Meeting and the attachments thereto and in the voting instrument, at Unitronics House, 3 Arava St., Airport City, Lod, Israel, Sunday through Thursday, during regular business hours, after prior coordination with Mr. Yair Itscovich (telephone 03-9778888, fax 03-9778877), up to the day of the Meeting.

5. **Majority required for passing resolutions at the Meeting on the items on the agenda:**

5.1 Under Section 267A of the Law, the required majority for the approval of resolution 3.1 on the agenda is a majority of the votes of shareholders who are entitled to attend the Meeting and who participate in the vote, provided one of the following is fulfilled:

(a) The count of the majority of the votes at the Meeting must include a majority of all the votes of shareholders who are not controlling shareholders of the Company or who do not have a personal interest in the approval of the compensation policy, without taking into account abstentions of such shareholders; or alternatively

(b) The total number of dissenting votes among shareholders participating in the vote who are not controlling shareholders of the Company or who do not have a personal interest in the approval of the compensation policy, is not more than two percent (2%) of the total voting rights in the Company.

5.2 Under Section 121(c) of the Companies Law, the required majority for the approval of item 3.2 on the agenda is a majority of the votes of shareholders who are entitled to attend the Meeting and who participate in the vote, provided one of the following is fulfilled:

(a) The count of the majority of the votes must include at least two thirds of all the votes of shareholders participating in the vote who are not controlling shareholders of the Company, or anyone on their behalf, or who do not have a personal interest in the approval of the resolution, without taking into account abstentions of such shareholders; or alternatively

(b) The total number of dissenting votes among shareholders participating in the vote who are not controlling shareholders of the Company, or anyone on their behalf, or who do not have a personal interest in the approval of the resolution, is not more than two percent (2%) of the total voting rights in the Company.

6. **Existence/absence of an interest**

In Part Two of this voting instrument, space is allocated for marking off the existence or absence of an interest, as required by under Sections 267A and 121(c) of the Law and the regulations pursuant thereto, and for detailing such interest, if it exists, in items 3.1 and 3.2 above. It is emphasized that the vote of someone who did not mark off the existence or absence of an interest as stated, or did not provide details as stated, will not be included in the count of the votes at the Meeting.

7. **Validity of the voting instrument**

7.1 The voting instrument will be valid only if the certificate of title of the unregistered shareholder (i.e. a person who has shares registered with a Stock Exchange member, and those shares are included among the shares of the

Company registered in the Register of Shareholders in the name of a nominee company and/or EuroClear Belgium / Interprofessionelle Effeotendeposito – en Girokas N.V. – Caisse Interprofessionelle de Depots et de Virements de Titres S.A., or – if the shareholder is registered in the Register of Shareholders – a photocopy of the shareholders' ID card, passport or certificate of incorporation (all the above – the "**Attached Documents**").

7.2 This voting instrument together with the Attached Documents, as aforesaid, must be submitted up to 72 hours before the time of voting. In this regard, the "date of submission" is the date on which the voting instrument and the Attached Documents reached the Company's offices at the address specified above.

8. **Internet**

The Company does not permit voting via the Internet.

9. **Company's address for delivery of voting instruments and position statements:**

The Company's offices as detailed in Section 4 above.

10. **Deadline for submitting position statements to the Company:**

Up to ten days after the record date, i.e. up to Monday, November 11, 2013 (the "**Deadline for Sending Shareholders' Position Statements**").

11. **Deadline for submitting the Board of Directors' response to position statements:**

No later than five days after the Deadline for Sending Shareholders' Position Statements.

12. **Address of the Distribution Site, the website of the Tel Aviv Stock Exchange Ltd. and the Euronext website in Belgium, which contain the voting instruments and the position statements:**

12.1 Distribution site of the Israel Securities Authority (the "**Distribution Site**"): http://www.magna.isa.gov.il/

12.2 Website of the Tel Aviv Stock Exchange Ltd.: http://maya.tase.co.il/

12.3 Distribution site of the Euronext Exchange in Belgium: http://www.euronext.com/

13. **Certificates of title**:

A shareholder may, if he so requested, receive the certificate of title at a branch of the Stock Exchange member or through the post. Such a request will be submitted in advance for a particular securities account.

14. **Receipt of voting instruments and position statements:**

An unregistered shareholder is entitled to receive by email, free of charge, a link to the text of the voting instrument and the position statements on the Distribution Site, from the Stock Exchange member through whom he holds his shares, unless he notified the Stock Exchange member that he does not wish to receive such a link, or that he wants to receive voting instruments by post against payment. A notice concerning voting instruments will apply also to the receipt of position statements.

15. **Inspection of voting instruments:**

One shareholder or more holding shares at a rate equivalent to five percent or more of the total voting rights in the Company, and a shareholder holding such a percentage out of the total voting rights not held by the Company's controlling shareholder as this term is defined in Section 268 of the Companies Law ("**Controlling Shareholder**"), is entitled, following the convening of the Meeting, to inspect the voting instruments as set forth in Regulation 10 of the Regulations, in person or through a proxy, at the Company's offices, during regular business hours.

15.1 The number of shares equivalent to 5% of the total voting rights in the Company is: 500,116 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).

15.2 The number of shares equivalent to 5% of the total voting rights in the Company not held by the Controlling Shareholder is: 193,138 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).

16. **Manner of voting:**

A shareholder will indicate his manner of voting on each item on the agenda in the second part of this voting instrument.

VOTING INSTRUMENT – PART TWO

Company Name: **Unitronics (1989) (R"G) Ltd.**

Company's address (for delivery and sending of voting instruments): Unitronics House, 3 Arava St., Airport City, Lod, Israel

Company No.: 520044199

Time of Meeting: December 9, 2013

Class of Meeting: Annual and Extraordinary General Meeting

Record Date: November 1st, 2013

Shareholder's Details

Shareholder's name: ________________________________

ID No.: ________________________________

If the shareholder does not have an Israeli identity card:

Passport No.: ________________________________

Issuing country: ________________________________

Valid until: ________________________________

If the shareholder is a corporation:

Corporation No.: ________________________________

Country of incorporation: ________________________________

Manner of Voting

Number of agenda item	Manner of Voting[1]			Regarding the approval of a compensation policy for officers of the Company pursuant to Amendment No. 20 – do you have a personal interest[2]?		Regarding the authorization of Mr. Haim Shani to serve a Chairman of the Board in addition to his position as Company CEO, for an additional term of three years commencing on the date of expiration of the previous approval period – do you have a personal interest[3]?		Are you an institutional investor[4]?	
	For	Against	Abstain	Yes*	No	Yes*	No	Yes*	No
3.1									
3.2									

Date: ______________ Signature: ____________________________

Details

With respect to the approval of the compensation policy (see Section 3.1 of this voting instrument above):

Below are details on my being a "controlling shareholder" or "having a personal interest in the approval of the compensation policy" (per Section 267A of the Law):

____

____

With respect to the authorization of Mr. Haim Shani to serve as Chairman of the Board of the Company, in addition to his position as Company CEO (see Section 3.2 of this voting instrument above):

Below are details on my being a "controlling shareholder" or "having a personal interest in the approval of the resolution" (per Section 121(c) of the Law):

____

____

With respect to shareholders who hold shares through a Stock Exchange member (per Section 177(1)) – this voting instrument is valid only with a certificate of title attached to it, except in cases where the vote is via the Internet.

With respect to shareholders who hold shares through a Stock Exchange member (per Section 177(1)) – this voting instrument is valid only with a certificate of title attached to it, except in cases where the vote is via the Internet.

With respect to shareholders who are registered in the Company's shareholders' register – the voting instrument is valid with an attached photocopy of an ID card / passport / certificate of incorporation.

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*Specify.

[1] Failure to mark off this section will be deemed as abstention in the vote on that item.

[2] The vote of a shareholder who does not complete this column or marks "yes" without an explanation will not be taken into account.

[3] The vote of a shareholder who does not complete this column or marks "yes" without an explanation will not be taken into account.

[4] As this term is defined in Regulation 1 of the Financial Services Control (Provident Funds) (Participation of a Management Company in General Meetings) Regulations, 5769-2009, and a manager of a joint investment trust fund, within the meaning of the Joint Investment Trust Law, 5754-1994.