

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

April 8, 2019

The Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

The Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

**Re: Immediate Report on the Convening of an Annual and Extraordinary General Meeting**

An immediate report is hereby given on the convening of an Annual and Extraordinary General Meeting of the Company's shareholders, having on its agenda the matters detailed below, in accordance with the Companies Law, 1999 (the "**Companies Law**"), the Companies Regulations (Notice Regarding a General Meeting and Class Meeting in a Public Company), 2000, the Companies Regulations (Written Votes and Position Statements), 2005, the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 2000, the Securities Regulations (Periodic and Immediate Reports), 1970 (the "**Periodic and Immediate Reports Regulations**"), and the Securities Regulation (Transaction between a Company and a Controlling Shareholder Thereof), 2001 (the "**Transaction with Controlling Shareholder Regulations**").

**1. Time, place and agenda**

Notice is hereby given of the convening of an Annual and Extraordinary General Meeting of the Company's shareholders (the "**Meeting**"), which is to convene on Thursday, May 16, 2019, at 8:00 AM (Israel time), at Unitronics Building, Arava St., Airport City, Lod, Israel .

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

- 2.1 Presentation of the Company's audited financial statements, the Board of Directors' report on the state of affairs of the corporation, including the fee of the Company's independent auditors for audit actions and their fee for other actions, and the periodic annual report (in the Barnea Committee format) for the year ended December 31, 2018.**

Summary of the proposed resolution: To confirm that the Company's audited financial statements, the Board of Directors' report on the state of affairs of the corporation, including the fee of the Company's independent auditors for audit actions and their fee for other actions, and the periodic annual report (in the Barnea Committee format) for the year ended December 31, 2018, were presented to the General Meeting of the Company's shareholders.

**2.2 Re-appointment of BDO's Ziv Haft, CPA, as the Company's independent auditors up to the next Annual General Meeting of the Company's shareholders and authorization of the Board of Directors to set their fee.**

Summary of the proposed resolution: To approve the appointment of BDO's Ziv Haft, CPA, up to the next Annual General Meeting of the Company's shareholders and to authorize the Board of Directors to set their fee.

**2.3 Re-appointment of Mr. Zvi Livne for an additional term as a Director of the Company.**

Re-appointment of Mr. Zvi Livne for an additional term as a Director of the Company, up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles (for details about Mr. Livne, see Section 4.10 of the periodic and annual report of the Company for 2018, as published on March 28, 2019, Reference No. 2019-01-027805 (the "**2018 Report**")). Mr. Livne's declaration that he 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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix A**.

During 2018 as well as during 2019 until the date of publication of this report, Mr. Livne's rate of attendance at meetings of the Board of Directors and at meetings of the committees of which he is a member stood at 100%.

Subject to his re-appointment, Mr. Livne will continue to be entitled to an attendance fee and an annual fee as well as to insurance, indemnification and exemption arrangements in accordance with the Company's Compensation Policy according to which External Directors, as well as non-officer Directors of the Company, are entitled to an annual fee and an attendance fee in the "fixed amount" as set forth in the Second and Third Schedules to the Companies Regulations (Rules on Remuneration and Expenses of an External Director, 2000) and based on the Company's relevant equity rating. For details on the insurance, indemnification and exemption arrangements, see Section 25 of the Company's updated Compensation Policy, as it is defined in Section 2.13 below (collectively hereinafter "**Customary Company Compensation**").

Summary of the proposed resolution: To re-appoint Mr. Zvi Livne as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

**2.4 Re-appointment of Mr. Gillon Beck for an additional term as a Director of the Company.**

Re-appointment of Mr. Gillon Beck for an additional term as a Director of the Company, up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles (for details about Mr. Beck, see Section 4.10 of 2018 Report). Mr. Beck's declaration that he 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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix B**.

During 2018 as well as during 2019 until the date of publication of this report, Mr. Beck's rate of attendance at meetings of the Board of Directors stood at 100%.

Subject to his re-appointment, Mr. Beck will continue to be entitled to the Customary Company Compensation, as set forth in Section 2.3 above.

Summary of the proposed resolution: To re-appoint Mr. Gillon Beck as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

**2.5 Re-appointment of Mr. Yariv Avisar for an additional term as a Director of the Company.**

Re-appointment of Mr. Yariv Avisar for an additional term as a Director of the Company, up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles (for details about Mr. Avisar, see Section 4.10 of the 2018 Report). Mr. Avisar's declaration that he 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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix C**.

Both during 2018 as well as during 2019 until the date of publication of this report, Mr. Avisar's rate of attendance at meetings of the Board of Directors stood at 100%.

Subject to his re-appointment, Mr. Avisar will continue to be entitled to the Customary Company Compensation, as set forth in Section 2.3 above.

Summary of the proposed resolution: To re-appoint Mr. Yariv Avisar as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

**2.6 Re-appointment of Mr. Amit Ben-Zvi for an additional term as a Director of the Company.**

Re-appointment of Mr. Amit Ben-Zvi, active Co-Chairman of the Board, for an additional term as a Director of the Company, up to the next Annual General Meeting

of the Company's shareholders, in accordance with the Company's articles (for details about Mr. Ben-Zvi, see section 4.10 of the 2018 Report). Mr. Ben-Zvi's declaration that he 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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix D**.

During 2018 as well as during 2019 until the date of publication of this report, Mr. Ben-Zvi's rate of attendance at meetings of the Board of Directors stood at 100%.

For details on the terms of office of Mr. Ben-Zvi, including insurance, indemnification and exemption arrangements, see section 24.3 of the updated Compensation Policy as it is defined below.

Summary of the proposed resolution: To re-appoint Mr. Amit Ben-Zvi as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

## **2.7 Re-appointment of Mr. Haim Shani for an additional term as a Director of the Company.**

Re-appointment of Mr. Haim Shani, Company CEO and the Company's controlling shareholder jointly with the FIMI Fund, for an additional term as a Director of the Company, up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles (for details about Mr. Haim Shani, see Section 4.10 of the 2018 Report). Mr. Shani's declaration that he 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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix E**.

During 2018 as well as during 2019 until the date of publication of this report, Mr. Shani's rate of attendance at meetings of the Board of Directors stood at 100%.

For details on the terms of office and employment of Mr. Shani, including insurance, indemnification and exemption arrangements, see Section 15 of the updated Compensation Policy as it is defined below.

Summary of the proposed resolution: To re-appoint Mr. Haim Shani as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

## **2.8 Re-appointment of Ms. Bareket Shani for an additional term as a Director of the Company.**

Re-appointment of Ms. Bareket Shani, Mr. Shani's wife and the Company's Deputy CEO and VP Human Resources, for an additional term as a Director of the Company,

up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles (for details about Ms. Bareket Shani, see Section 4.10 of the 2018 Report). Ms. Shani'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 Periodic and Immediate Reports Regulations, is attached to this report as **Appendix F**.

During 2018 as well as during 2019 until the date of publication of this report, Ms. Shani's rate of attendance at meetings of the Board of Directors stood at 100%.

For details on the terms of office and employment of Ms. Shani, including insurance, indemnification and exemption arrangements, see Section 15 of the updated Compensation Policy as it is defined below.

Summary of the proposed resolution: To re-appoint Ms. Bareket Shani as a Director of the Company for an additional term up to the next Annual General Meeting of the Company's shareholders, in accordance with the Company's articles.

## **2.9 Re-appointment of Ms. Rivka Granot for an additional three-year term as an External Director of the Company.**

Appointment of Ms. Rivka Granot as an External Director of the Company for an additional (second) term of three years, in accordance with the Companies Law (for details about Ms. Granot, see Section 4.10 of the 2018 Report). Ms. Granot's declaration that she satisfies the required conditions for serving as an External Director of the Company, pursuant to Sections 224B and 241(a) of the Companies Law, is attached to this report as **Appendix G**. At its meeting on March 27, 2019, the Board of Directors determined that Ms. Granot has accounting and financial expertise.

During 2018 as well as during 2019 until the date of publication of this report, Ms. Granot's rate of attendance at meetings of the Board of Directors and at meetings of the committees of which he is a member stood at 100%.

Subject to her re-appointment, Ms. Granot will continue to be entitled to Customary Company Compensation, as set forth in Section 2.3 above.

Summary of the proposed resolution: To re-appoint Ms. Rivka Granot as an External Director of the Company for an additional term of three years from the date of the approval by the Meeting.

## **2.10 Approval of employment agreements of Mr. Haim Shani and Ms. Bareket Shani for a three-year period.**

Description of the Transaction and its main terms

- 2.10.1. The Company entered into personal employment agreements with Mr. Haim Shani (controlling interest and active Chairman of the Board) and with Ms. Bareket Shani (Mr. Shani's wife, acting both as a Member of the Board and as the Company's VP of Human Resources) (hereinafter the "**Employment Agreements**"), valid through May 2019. Pursuant to said Employment Agreements, Mr. Shani acted as Director and CEO in the Company until March 2019, and as of April 1, 2019, serves as Active Chairman of the Board. Ms. Shani serves as Deputy CEO, VP of HR.
- 2.10.2. Pursuant to said Employment Agreements, Mr. Shani's salary is NIS 60,000, and Ms. Shani's salary is NIS 30,000. The salaries of both Mr. Shani and Ms. Shani are linked to the Consumer Price Index (CPI), in such a way that, as of January 2012 and then annually, for every year thence, their salary will be raised by a rate equal to the percentage of CPI change from the previous year.
- 2.10.3. The Company reserves the right, from time to time and at its sole discretion, to split the payment of the total sum of Mr. Shani's salary between it and any of its subsidiaries.
- 2.10.4. Beyond the salary specified above, Mr. Shani and Ms. Shani are also entitled to the following: (a) customary social benefits such as senior executive insurance (14.83% Company contribution, Mr. Shani and Ms. Shani may decide on the rate to be contributed from their salary); (b) study fund (7.5% of salary contributed by the Company, Mr. Shani and Ms. Shani may on decide the rate to be contributed from their salary); (c) loss of working capacity (2.5% of salary contributed by the Company, Mr. Shani and Ms. Shani may on decide the rate to be contributed from their salary); (d) use of Company car (without setting a specific vehicle category) and expense reimbursement; (e) unlimited cumulative 30-day sick leave; (f) convalescence pay, per legal requirements; (g) 30-day vacation annually, cumulative for only two years. In addition, Mr. Haim Shani is entitled to an annual grant for every calendar year, starting 2005 and for as long as he is employed as a senior officer in the Company, within 30 days of the date of the Company Board of Director's approval of the financial statements for each calendar year as aforementioned, at a rate of 7.5% of the Company's profit before tax (PBT) for that year (at company cost).
- 2.10.5. Termination of Mr. Shani's employment requires the Board's approval by simple majority, and an advance notice of at least 6 months. Mr. Shani may terminate the agreement for any reason, subject to providing a 3-month advance notice. As for Ms. Shani, any party may terminate the

employment agreement providing a two-month advance notice, and the Company will be required to provide a substantial explanation for such layoff, should it be initiated by the Company.

- 2.10.6. Pursuant to Section 275(a1) of the Companies Law, the Company votes to reapprove, every three years, the Employment Agreements of controlling interests and their relatives, and so, accordingly, the Compensation Committee and the Company's Board of Directors have decided, on March 21 and March 27, 2019, respectively, to reapprove, pending the approval of the Company's shareholders' general Meeting convened by this report, the Employment Agreements, pursuant to said section, so that these may continue to apply under similar terms, and having each one extended by three additional years, starting April 1, 2019.
- 2.10.7. For a table aggregating all the specifics of Mr. Shani's and Ms. Shani's compensations, pursuant to the sixth addendum to the Periodic and Immediate Reports Regulations, see **Appendix H** of this report.

The expertise and skills rendering Mr. Shani and Ms. Shani eligible for their posts

- 2.10.8. As the Company's founders, Mr. Shani and Ms. Shani possess profound and extensive knowledge, and many years of familiarity with the developed technologies and products produced and distributed by the Company, since the day of its establishment and until this very day. Additionally, Mr. Shani and Ms. Shani possess a profound and extensive knowledge and familiarity with the Company's markets, clientele and service providers.
- 2.10.9. Mr. Shani and Ms. Shani have reputation in the Company's field of activity, with the Company's reputation closely linked with the fact that Mr. Shani and Ms. Shani are controlling interests and senior officers in the Company.

Names of the controlling interests having personal interest in approving the Employment Agreements, and the nature of said personal interest

- 2.10.10. Mr. Shani, The Company's controlling shareholder has a personal interest in his and Ms. Shani's Employment Agreements. Mr. Shani holds 3,014,551 ordinary shares of the Company of NIS 0.02 par value each, representing 21.92% of the Company's issued and paid-up share capital (approx. 21.91% fully diluted) and serves as an active Chairmen of the Board and as an officer in subsidiaries.

- 2.10.11. Ms. Bareket Shani, Mr. Shani's wife, serves as the Company's Deputy CEO and VP Human Resources, as a Director of the Company and as a senior officer in Company subsidiaries.
- 2.10.12. Mr. Shani and Ms. Shani have personal interest in the approval of this resolution 2.10 on the agenda, as it pertains to the terms of their position and employment in the Company. Mr. Shani and Ms. Shani therefore did not take part in the discussion and voting taking place in the meetings of Balance Sheet, Compensation and Audit Committee and those of the Board of Directors, concerning the approval their Employment Agreement terms.
- 2.10.13. FIMI Fund, the controlling shareholder in the Company along with Mr. Shani, holds 6,875,000 ordinary Company shares of NIS 0.02 par value each, constituting 49.99% of the Company's issued and paid-up share capital (approx. 49.99% fully diluted). The FIMI Fund has personal interest in the approval of Mr. Shani's and Ms. Shani's Employment Agreements by virtue of it being a party to a shareholders' agreement with Mr. Shani (the "**Shareholders' Agreement**"), under which the parties undertook to cooperate with each other in votes on various issues. Among other things, under the Shareholders' Agreement, the FIMI Fund undertook to vote based on all the Company's shares held by it, at any meeting of the Company's shareholders, in favor of the approval of Mr. Shani's and Ms. Shani's Employment Agreements. For further details see Section 3.8.3.2 of the meeting convening report dated May 2, 2016 (Reference No. 2016-01-057655).

Manner in which the consideration was determined

- 2.10.14. The consideration paid for each one, both Mr. Shani and Ms. Shani, for their services, is in line with the Company's Compensation Policy and is adequate for the contribution of Mr. Shani and Ms. Shani to the Company, as determined by the Balance Sheet, Compensation and Audit Committee and by the Company's Board of Directors upon their approval of the Employment Agreements, and in light of the great importance given by the Committee and the Board to their future employment in the Company. In light of the Compensation Policy, the Balance Sheet, Compensation and Audit Committee and by the Company's Board of Directors have reviewed salary levels of senior officers in similar positions in companies of similar scope of activity to that of the Company, and have found that the terms of employment of Mr. Shani and Ms. Shani (as specified above) are adequate to their position and expertise.

Required approvals or conditions set for the execution of the transactions



2.10.15. Transactions pertaining to the terms of service and employment of controlling shareholders in the Company and their relatives are subject to the approval of the Company Shareholders' General Meeting, under Section 275 of the Companies Law, by the majority prescribed in Section 275 of the Companies Law.

Similar transactions between the Company and the controlling shareholder made in the last two years that are still in effect

2.10.16. On May 29, 2016, the Balance Sheet, Compensation and Audit Committee and the Company's Board of Directors have decided, as did the Company's Shareholders' General Meeting on May 9, 2016, to approve the Employment Agreement of Mr. Shani and Ms. Shani pursuant to Section 275 (a1) of the Companies Law.

Summary of the reasons of the Balance Sheet, Compensation and Audit Committee and the Board of Directors for approving the Employment Agreements

2.10.17. The Balance Sheet, Compensation and Audit Committee and the Board of Directors of the Company approved the Employment Agreements having found them to be in line with the Company's Compensation Policy, due to the following reasons: (a) renewing the Employment Agreement is in line with the importance of the services rendered to the Company by Mr. Shani and Ms. Shani; (b) the importance of the continued employment of Mr. Shani and Ms. Shani arises, *inter alia*, from the following: (1) as the Company's founders, Mr. Shani and Ms. Shani possess profound and extensive knowledge and familiarity with the Company's markets, clientele and service providers; (2) Mr. Shani and Ms. Shani have reputation in the Company's field of activity and the Company's reputation is closely linked with them and their position in the Company; (3) the importance of their active involvement in the Company's current affairs.

Names of the Directors who participated in the discussions of the Board of Directors, the Audit Committee and the Compensation Committee regarding the approval of said Transactions, specifying those who are External Directors

2.10.18. **The Directors** who participated in the Balance Sheet, Compensation and Audit Committee regarding the approval of the Employment Agreements are Ms. Rivka Granot (External Director), **Mr. Doron Shinar** (External Director) and Mr. Zvi Livne (Director). The Directors who participated in the Board of Director's discussions regarding the approval of the Employment Agreements are Ms. Rivka Granot (External Director), Mr. Doron Shinar (External Director), Mr. Zvi Livne (Director) and Mr. Yariv Avishar (Director).

Names of the Directors who have a personal interest in approving the Employment Agreements

2.10.19. As previously stated in Section 2.10.12 above, Mr. Shani and Ms. Shani have a personal interest in the approval of the Employment Agreements, and they did not participate in the discussions and votes held by the Balance Sheet, Compensation and Audit Committee and by the Board of Directors regarding the approval of their Employment Agreements. Additionally, Directors Amit Ben-Zvi and Gilon Beck had personal interest in the approval of the Employment Agreements, by virtue of their being partners in the FIMI Fund, the controlling shareholder in the Company, which is also a party of the shareholder agreement along with Mr. Shani, as specified in Section 2.10.13 above. Mr. Ben-Zvi and Mr. Beck therefore did not participate in the discussions and votes taking place by the Balance Sheet, Compensation and Audit Committee and by the Board of Directors regarding the approval of the Employment Agreements.

Summary of the proposed resolution: to approve the Employment Agreement of Mr. Shani and Ms. Shani for a period of three years, starting April 1, 2019.

**2.11. Approval of the terms of position of Mr. Amit Harari, Company CEO.**

2.11.1. On March 21, 2019, the Balance Sheet, Compensation and Audit Committee approved the terms of position of Mr. Amit Harari, and on March 2019 the Board of Directors of the Company approved his appointment and the terms of position of Mr. Harari as the Company's CEO starting April 1, 2019. The main terms of Mr. Harari's position are specified as below.

2.11.2. The terms of Mr. Harari's position are as follows:

Net salary: a monthly salary of NIS 47,500 per month (hereinafter: "**Base Salary**").

Car: The Company will place a car at Mr. Harari's disposal, funded in part by the Company and in part by Mr. Harari at a sum of NIS 1,250 per month.

Senior executive insurance or other pension fund: The Company will transfer to the policy a sum equal to 13.33% of Mr. Harari's Base Salary, 8.33% for the severance package component and 5% for proceeds component. Mr. Harari will transfer to the policy a sum equal to 5% of his Base Salary for his contribution to the proceeds fund.

Study fund: The Company will contribute every month to the Study Fund 7.5% of the Base Salary and Mr. Harari will contribute 2.5% of his Base Salary.

Mobile phone: The Company will place at Mr. Harari's disposal a mobile cellular phone, and gross up its costs up to a cap of NIS 380 per month, with Mr. Harari carrying any expense beyond said contributed cap.

Sickness benefit and convalescence pay: Mr. Harari is entitled to sickness benefit and convalescence pay per legal requirements.

Annual vacation: Mr. Harari is entitled to 18 days of vacation annually.

Annual grant: Mr. Harari is entitled to an annual grant for fulfilling set quantitative and qualitative goals at a sum no higher than NIS 375,000, pursuant to the Company's Compensation Policy.

Employment term and advance notice: The Employment Agreement with Mr. Harari is set for an indeterminate period of time, and it was established that any party to the agreement may terminate it at any time, by providing an advance notice, in writing, complying with the timetables established by law.

2.11.3. For information about Mr. Harari's education, experience and expertise, see Section 4.11 in Chapter D of the 2018 Report.

2.11.4. For a table aggregating all the specifics of Mr. Harari's compensations, see **Appendix H** of this report.

Summary of the reasons of the Balance Sheet, Compensation and Audit Committee and the Board of Directors for approving the terms of Mr. Harari's position

2.11.5. The Balance Sheet, Compensation and Audit Committee and the Board of Directors of the Company approved the terms of Mr. Harari's Position having found them to be in line with the Company's Compensation Policy, and in light of: (a) his skills, expertise, professional experience and level of familiarity with the Company; (b) evaluation of his performance and contribution to the Company; (c) the scope and complexity of the tasks he undertakes and the adequate, fair and reasonable terms of employment, considering said tasks; (d) the compatibility of these terms with the Company's Compensation Policy.

Summary of the proposed resolution: to approve the terms of Mr. Harari's position as Company CEO, starting April 1, 2019.

**2.12. Approval of payment of remuneration for active Co-Chairman of the Board of Directors, Mr. Amit Ben-Zvi, for three years.**

Description of the transaction and its main terms

- 2.12.1. As part of the transaction of the FIMI Fund investment in the Company, approved by the Company's Shareholders' General Meeting on May 2016, Mr. Amit Ben-Zvi was appointed active paid Chairman of the Board. As of April 1, 2019, Mr. Ben-Zvi serves as an active Co-Chairman of the Board of Directors. For serving in the position of an active Co-Chairman of the Board, the Company pays the FIMI Fund for Mr. Ben-Zvi's services an annual sum at a total of 55% of the Employer costs of Mr. Haim Shani, active Chairman of the Board, plus VAT and expenses. The Remuneration is paid on a quarterly basis, for the services rendered to the Company in the previous calendar quarter. For further information concerning the transaction of the FIMI Fund investment in the Company, see Meeting convening report dated May 2, 2016 (Reference number 2016-01-057655), included by way of reference.
- 2.12.2. Mr. Ben-Zvi is a partner in the FIMI Fund, controlling shareholder in the Company. The Company, therefore, pursuant to Section 275(a1) of the Companies Law, votes to reapprove, every three years, the payment for the services of Mr. Ben-Zvi, as a transaction for receipt of services from the controlling shareholder. The Compensation Committee and the Company's Board of Directors have therefore decided, on March 21 and March 28, 2019, respectively, to reapprove, pending the approval of the Company's shareholders' General Meeting convened by this report, the payment of remuneration, pursuant to said section, for three years, starting April 1, 2019.
- 2.12.3. For a table aggregating all the specifics of remuneration paid for the services of Mr. Ben-Zvi pursuant to the sixth addendum to the Periodic and Immediate Reports Regulations, see **Appendix H** of this report.

Names of the controlling interests having personal interest in approving the Employment Agreements, and the nature of said personal interest

- 2.12.4. The FIMI Fund, controlling shareholder in the Company, has a personal interest in approving the remuneration payment for Mr. Ben-Zvi's services, as he is a partner therein.
- 2.12.5. Mr. Shani, The Company's controlling shareholder along with the FIMI Fund, has a personal interest in approving the remuneration payment to the FIMI Fund for Mr. Ben-Zvi's services, by virtue of his being a party to the

shareholder agreement with the FIMI Fund, as specified in Section 2.10.13 above.

Manner in which the consideration was determined

2.12.6. The consideration paid to the FIMI Fund for the services of Mr. Ben-Zvi is in line with the Company's Compensation Policy and is an adequate, fair and reasonable consideration for the services and contribution of Mr. Ben-Zvi to the Company, as determined by the Balance Sheet, Compensation and Audit Committee and by the Company's Board of Directors upon their approval of the remuneration payment. In light of the Compensation Policy, the Balance Sheet, Compensation and Audit Committee and the Company's Board of Directors have reviewed remuneration paid to senior officers in similar positions in companies of similar scope of activity to that of the Company, and have found that the remuneration paid to the FIMI Fund for the services of Mr. Ben-Zvi are adequate to his position and expertise, to the matters under his responsibility and the time dedicated to the Company by Mr. Ben-Zvi.

Required approvals or conditions set for the execution of the transactions

2.12.7. Transactions pertaining to the provision of services from controlling shareholders in the Company are subject to the approval of the Company Shareholders' General Meeting, under Section 275 of the Companies Law, by the majority prescribed in Section 275 of the Companies Law.

Similar transactions between the Company and the controlling shareholder made in the last two years or that are still in effect

2.12.8. On May 29, 2016, the Balance Sheet, Compensation and Audit Committee and the Company's Board of Directors have decided, as did the Company's Shareholders' General Meeting on May 9, 2016, to approve the transaction of the FIMI Fund's investment in the Company, within which Mr. Ben-Zvi was appointed active Chairman of the Company Board, pursuant to Section 275(a1) of the Companies Law, and a payment of remuneration to the FIMI Fund for the services of Mr. Ben-Zvi was approved.

Summary of the reasons of the Balance Sheet, Compensation and Audit Committee and the Board of Directors for approving the Transaction Agreements

2.12.9. The Balance Sheet, Compensation and Audit Committee and the Board of Directors of the Company approved the payment of remuneration to the FIMI Fund for the services of Mr. Ben-Zvi, having found it to be in line with the Company's Compensation Policy, as it is an adequate, fair,

reasonable and appropriate consideration for Mr. Ben-Zvi's services and contribution to the Company.

Names of the Directors who participated in the discussions of the Board of Directors, the Audit Committee and the Compensation Committee regarding the approval of said Transactions, specifying those who are External Directors

2.12.10. The Directors who participated in the Balance Sheet, Compensation and Audit Committee regarding the approval of the remuneration payment are Ms. Rivka Granot (External Director), Mr. Doron Shinar (External Director) and Mr. Zvi Livne (Director). The Directors who participated in the Board of Director's discussions regarding the approval of the remuneration payment are Ms. Rivka Granot (External Director), Mr. Doron Shinar (External Director), Mr. Zvi Livne (Director) and Mr. Yariv Avishar (Director).

Names of the Directors who have a personal interest in approving the Employment Agreements

2.12.11. Mr. Ben-Zvi has a personal interest in approving the remuneration payment to the FIMI Fund by virtue of his being a partner therein, and he did not participate in the discussions and votes held by the Balance Sheet, Compensation and Audit Committee regarding the approval of the remuneration payment. Mr. Beck has personal interest in approving the remuneration payment by virtue of his being a partner in the FIMI Fund. Additionally, Mr. Shani and Ms. Shani have personal interest in approving the remuneration payment by virtue of Mr. Shani being a party to the shareholder agreement with the FIMI Fund, as specified in Section 2.10.13 above. Mr. Shani and Ms. Shani therefore did not participate in the discussions and votes taking place by the Balance Sheet, Compensation and Audit Committee and by the Board of Directors regarding the approval of the remuneration payment.

Summary of the proposed resolution: to approve the remuneration payment to active Co-Chairman of the Board, Mr. Amit Ben-Zvi, for a period of three years, starting April 1, 2019.

## **2.13. Approving an updated three-year Compensation Policy.**

Pursuant to the provisions of the Companies Law, on December 9, 2013, the Company's Shareholders' General Meeting approved the Company's Compensation Policy (see General Meeting Outcomes Report dated December 9, 2013, reference no. 2013-01-092953). On May 9, 2016, the Company's Shareholders' General Meeting approved an amendment to the Compensation Policy (hereinafter: the "**Current Compensation Policy**") (see General Meeting Outcomes Report dated May 9, 2016,

reference no. 2016-01-062236). Having three years passed since the date of the Current Compensation Policy's approval, it is hereby suggested that an updated Compensation Policy is approved, based on the same principles as those of the Current Compensation Policy.

The updated Compensation policy, attached to this Report as **Appendix I**, if approved, shall come into force as of the date on which it is approved by the General Meeting and be in effect for three years. The updated version of the Compensation Policy, attached to this Report as **Appendix I**, the changes from the Current Compensation Policy are tracked.

Insofar as the Updated Compensation Policy is not approved by the General Meeting of the Company shareholders, the Company's Current Compensation Policy shall still apply, until 3 years have passed from the date of its approval by the General Meeting of the Company shareholders. Furthermore, the Company's Board of Directors will be entitled to approve the Updated Compensation Policy even if the General Meeting objects to the approval thereof, if the Balance Sheet, Compensation and Audit Committee, followed by the Board of Directors, decide, based on detailed reasoning and after revisiting the Updated Compensation Policy, that the approval of the Updated Compensation Policy, notwithstanding the General Meeting's objection, is in the Company's best interest, in accordance with Section 267A (c) in the Companies Law.

On March 21, 2019, the Balance Sheet, Compensation and Audit Committee unanimously approved the Updated Compensation Policy and submitted its recommendations to the Company's Board of Directors. On March 27, 2019, the Company's Board of Directors unanimously approved the Updated Compensation Policy, based on the recommendations of the Balance Sheet, Compensation and Audit Committee, and decided to recommend its approval by the General Meeting of the Company shareholders.

The main change in the Updated Compensation Policy, as compared with the Current Compensation Policy, stems from adjustments to splitting the Company's operations, whereby the area of automatic solutions was transferred to Yotron Ltd., the Company's sister company (for further details regarding the splitting of operations, see Section 1.3.2 of the 2018 Report), including changes to manpower, positions of officeholders, the size and the business of the Company. Additionally, changes were made to the Compensation Policy in order to update the information and the data included therein, and changes were made to the terms of the capital compensation for officeholders.

As part of the aforementioned Assemblies, updated data collected by the Company's management and updated data of the Salary and Benefits Survey in the Israeli Technological Sector, published by Zviran Consulting and Surveys Ltd. (hereinafter: "**Zviran**"), which is used as a benchmark for determining compensations for officeholders in the Company, was brought before the Balance Sheet, Compensation

and Audit Committee and the Board of Directors including, inter-alia: (1) The ratio between the cost of the compensation terms of the Company's officeholders and the cost of the salary of the other Company's employees, including the ratio to the cost of the average wage and the medial wage of the Company's employees; (2) Zviran data In connection with the compensation to officeholders in the Company compared to that in companies with characteristics similar to those of the Company In terms of size, ownership and status; (3) The existing terms of compensation for the Company's officeholders, information regarding the scope of the position of each of the officeholders in the Company, and the maximum compensation they can receive; and (4) The ratio between the variable components and the fixed components set out in the compensation terms of the officeholders in the company.

The Balance Sheet, Compensation and Audit Committee, as well as the Board of Directors, have examined all considerations related to the approval of the Updated Compensation Policy during their meetings, including, but not limited to, the topics that are to be addressed in accordance with Amendment 20 of the Companies Law. In this context, the considerations that are to be addressed and that are to be determined in the Compensation Policy in accordance with Section 267B (a), as well as the first addition A to the Companies Law, were discussed, inter-alia. It should be noted that, when convening to determine compensation for officeholders, in accordance with the Updated Compensation Policy, the Company considers and operates, inter-alia, in accordance with the criteria and considerations detailed in the first addition A to the Companies Law, as mentioned above.

Summary of the proposed resolution: To approve the version of the Updated Compensation Policy attached to this Report as **Appendix I**, for a period of three years, as of the date of its approval by the General Meeting of the Company shareholders,



## **Part B – Convening of an Annual and Extraordinary General Meeting, Its Time and Implementation**

### **3. Quorum and adjourned meeting**

A 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 Meeting, the Meeting will be adjourned by a week, and take place on the same day, at the same time and in the same 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.

### **4. Required majority at the Meeting**

4.1. The required majority for the approval of the matters on the agenda of the Meeting as set forth in Sections 2.1-2.8 above is a majority of the votes of shareholders who are entitled to attend the Meeting and who participate in the vote.

4.2. The required majority for the approval of the item on the agenda, detailed in Section 2.9 above (the appointment of Ms. Rivka Granot to the position of External Director in the Company), in accordance with Section 239 of the Companies Law, 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 majority vote at the 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 appointment, other than a personal interest which does not arise from such shareholder's relations with the controlling shareholder, without taking into account abstentions of such shareholders; or (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 appointment, other than a personal interest which does not arise from such shareholder's relations with the controlling shareholder, may not exceed two percent (2%) of the total voting rights in the Company.

4.3. The required majority for the approval of the items detailed in Sections 2.10 and 2.12 above (approval of employment agreements for Mr. and Ms. Shani, and approval of compensation payment to Mr. Amit Ben Zvi), in accordance with Section 275 (a) of the Companies Law, 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 majority vote at the Meeting must include a majority of all the votes of shareholders participating in the vote who do not have a personal interest in the approval of the Transaction, without taking into account abstentions of such shareholders; or (b) the total number of dissenting votes among shareholders participating in the vote who do not have

a personal interest in the approval of the Transaction may not exceed two percent (2%) of the total voting rights in the Company.

4.4. The required majority for the approval of the item detailed in Section 2.11 above (approval of terms of office of Mr. Amir Harari), in accordance with Section 272 (c1) of the Companies Law, 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) In the majority quorum of votes at the Meeting, most of all votes of shareholders who are not controlling shareholders at the Company or have a personal interest in the approval of the terms of office and who participate in the vote shall be included, whereas the quorum of all votes of the aforesaid shareholders, abstentions shall not be taken into account; or (b) The total number of dissenting votes among shareholders who are not controlling shareholders of the Company or have a personal interest in approving the terms of office, participating in the vote, may not exceed two percent (2%) of the total voting rights in the Company.

4.5. The required majority for the approval of the item detailed in Section 2.13 above (approval of the Updated Compensation Policy), in accordance with Section 267A of the Companies Law, 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) In the majority quorum of votes at the Meeting, most of all votes of shareholders who are not controlling shareholders at the Company or have a personal interest in the approval of the Updated Compensation Policy, and who participate in the vote shall be included, whereas the quorum of all votes of the aforesaid shareholders, abstentions shall not be taken into account; or (b) The total number of dissenting votes among shareholders who are not controlling shareholders of the Company or have a personal interest in approving the Updated Compensation Policy, participating in the vote, may not exceed two percent (2%) of the total voting rights in the Company.

## 5. **Eligibility to vote**

5.1. In accordance with Section 182(b) of the Companies Law and the Companies Regulations (Written Votes and Position Statements), 2005, the record date will be Tuesday, April 16, 2019 (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 or by proxy. Power of attorney for attendance and voting at the Meeting, together with confirmation of lawful ownership of the shares by virtue of which voting is permitted, must be deposited at the Company's offices at least 48 hours before the date of convening the Meeting. The suggested wording of the power of attorney in Hebrew and English can be found on the Company's website at <http://www.unitronics.com/>.

- 5.2. In accordance with the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 2000 (the "**Proof of Title Regulations**"), a shareholder who has a share registered with a member of the Tel Aviv Stock Exchange Ltd., 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 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, or alternatively will send the Company a certificate of title via the Electronic Voting System.
- 5.3. Under the Companies Law, a shareholder whose shares are registered with a member of the Stock Exchange may, if he so requested, receives 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 against postage payment. Such a request must be given in advance for a particular securities account. An unregistered shareholder may also direct that his certificate of title be submitted to the Company via the Electronic Voting System.
- 5.4. The number of shares equivalent to 5% of the total voting rights in the Company is: 687,616 ordinary shares of the Company (taking into account dormant shares that do not confer voting rights).
- 5.5. 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).

## **6. Voting instrument and position statements**

A shareholder may vote at the Meeting through a voting instrument on items on the agenda, as detailed below:

- 6.1. A vote in writing will be entered in the second part of the voting instrument attached to this report, as published on the Distribution Site (as defined in Section 6.6 below).
- 6.2. A shareholder may apply directly to the Company to receive from it the text of the voting instrument and the position statements.
- 6.3. 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.
- 6.4. 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 4 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 before the date of the Meeting.

6.5. The deadline for submitting position statements to the Company is: May 6, 2019.

The deadline for submitting the Board of Directors' response to the position statements is: May 11, 2019..

6.6. The wording of the voting instrument and the position statements, 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"), on the website of the Tel Aviv Stock Exchange Ltd. (<http://maya.tase.co.il/>), or on the Company's website (<http://www.unitronics.com/>).

## **7. Voting by an electronic voting instrument**

An unregistered shareholder may vote on the resolutions on the agenda of the Meeting detailed in Section 2 above by an electronic voting instrument submitted via the Electronic Voting System as defined in the Voting Regulations ("electronic voting instrument").

The electronic voting instrument is opened for voting at the end of the Record Date. Voting via the Electronic Voting System will end six hours before the time of the Meeting (i.e. – on Thursday, May 16, 2019, at 2:00 AM), at which time the Electronic Voting System will be closed.

An electronic vote may be changed or cancelled up to the time of closing of the Electronic Voting System, and it may not be changed via the Electronic Voting System after that time. If a shareholder voted in more than one way, his later vote will be counted. In this regard, voting by a shareholder in person or by proxy will be deemed later than a vote by an electronic voting instrument.

## **8. The Company's representatives for dealing with the immediate report**

The Company's representative for purposes of this immediate report is Ms. Bareket Shani, the Company's Deputy CEO and VP Human Resources, at Unitronics Building, Arava St., Airport City, Lod, Israel, telephone 03-9778888, fax 03-9778877.

## **9. Inspection of documents**

This immediate report and the documents referred to herein, as well as the complete wording of the resolutions on the agenda, may be inspected at the Company's offices at Unitronics Building, Arava St., Airport City, Lod, Israel, Sunday through Thursday, during regular business hours, by prior arrangement with Mr. Eitan Alon (telephone 03-9778888, fax 03-9778877).

## **10. Jurisdiction of the Israel Securities Authority**

In accordance with Regulation 10 of the Transactions with a Controlling Shareholder Regulations, the Israel Securities Authority, or an employee authorized thereto, within 21 days from the date of filing this Report, may instruct the Company to provide, within a time period determined thereby, an explanation, details, information and documents regarding the engagement that is the subject of this Report, as well as instruct the Company to amend this Report in a manner and at a time to be determined thereby; In such a case, the Authority may order that the date of the general Meeting be postponed to a date at least three business days and no more than 35 days after the date of publication of the amendment to this Report.

**Respectfully,**  
**Unitronics (1989) (R"G) Ltd.**

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**Haim Shani**, Acting Chairman of the Board of Directors



To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Zvi Livne*, ID number: *010025658*, address: *Ma'ale Habanim, Yokneam Moshava 20600* hereby declare for the purpose of my appointment as a director in the company as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*BA, Economics and Accounting, Tel Aviv University*

*MBA, Business Management, Tel Aviv University.*

**Professional Experience**

*Independent CPA Since 1982*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Zvi Livne  
Name

4/3/2019  
Date

(-)  
Signature



## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Gillon Beck*, ID number: 057382780, address: 94 Yigal Alon st., Tel Aviv, hereby declare for the purpose of my appointment as a director in the company as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*As attached*

**Professional Experience**

*As Attached*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Gillon Beck  
Name

3/3/2019  
Date

(-)  
Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

## **APPENDIX A**

### **Gillon Beck**

Mr. Beck has been, since 2003, a Senior Partner at FIMI Opportunity Funds, as well as a Director of the General Partners of the FIMI Opportunity Funds.

Mr. Beck currently serves as Chairman of the Boards of Directors of ImageSat NV, Bet Shemesh Engines LTD (TASE), Magal Security Systems Ltd (NASDAQ), Ham-Let (Israel-Canada) Ltd. (TASE), Rivulis Irrigation Ltd., Inrom Industries Ltd., Oxygen and Argon Works Ltd and Bird Aerosystems Ltd, and is a director of Inrom Construction Industries Ltd. (TASE), Orbit Technologies Ltd (TASE), Carmel Forge Ltd., Monfort Medical Ltd, AITECH Ltd, and Unitronics (1989) (R”G) Ltd (TASE).

In the last 5 years, Mr. Beck formerly served as a Chairman/member of the Boards of Directors of the following public companies: Overseas Commerce Ltd (TASE), Ormat Technologies Inc, (NYSE) and Ormat Industries Ltd.

From 1999 to 2003, Mr. Beck served as Chief Executive Officer and President of Arad Ltd., a publicly-traded water measurement and automatic meter reading company, and from 1995 to 1999, as COO of Arad Ltd.

Mr. Beck received a Bachelor of Science degree (Cum Laude) in Industrial Engineering in 1990 from the Technion – Israel Institute of Technology, and an MBA in Finance in 1992 from Bar-Ilan University.

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Yariv Avisar*, ID number: 57418873, address: *Hashachaf st. P.O.B 219 Ein Sarid*, hereby declare for the purpose of my appointment as a director in the company as follows:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the



transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*. BA, Business Administration.*

**Professional Experience**

*Positions as CEO and serving as a director and chairman of several companies.*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Yariv Avisar  
Name

3.3.2019  
Date

(-)  
Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Amit Ben-Zvi*, ID number: 022644744, address: 94 Yigal Alon st. Tel Aviv, hereby declare for the purpose of my appointment as a director in the company as follows:

:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the

transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*LLB, Law, Tel Aviv University;*

*BA, Accounting, Tel Aviv University*

**Professional Experience**

*Partner at FIMI Opportunity Funds;*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

*Amit Ben-Zvi*  
Name

3/3/2019  
Date

(-)  
Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

To:

**Unitronics (1989) (R"G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Haim Shani*, ID number: 056548142, address: 20 Bazelet st. Shoham, hereby declare for the purpose of my appointment as a director in the company as follows:

:

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at



the meeting at the time of the deliberation on the activity and/or the transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*High School Education*

**Professional Experience**

*CEO of Public Traded company*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

*Haim Shani*  
Name

20/3/2019  
Date

(-)  
Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

To:

**Unitronics (1989) (R”G) Ltd.**

**Declaration of Candidate for Office of Director in Public Company**

Under the Companies Law, 5759-1999 (the "**Law**")

I, the undersigned, *Bareket Shani*, ID number: *058136631*, address: *20 Bazelet st. Shoham*, hereby declare for the purpose of my appointment as a director in the company as follows

1. None of the restrictions determined in Sections 225 to 227A of the Law on restriction on appointment of a minor, an incompetent person, bankruptcy, a restriction on appointment as a result of the commission of an offense, a conviction or a decision of the administrative enforcement committee – as these restrictions are drafted on the date of execution of this declaration, as set forth in **Appendix A** and constituting an integral part hereof, are satisfied in my case.
2. Pursuant to the provisions of the Law, I am considered to have a "personal interest" as defined in the Law, in transactions between the Company and myself and between the Company and any of my relatives and between the Company and corporations and entities in which I or any of my relatives are stakeholders (hereinafter, the "**Corporations**").
3. My activities within the scope of my office as an office holder of the Company, as long as they are carried out in good faith, as long as they are not connected to me or my relatives or the Corporations personally, are not considered to be acts amounting to a conflict of interest or competition with the business of the Company or usurpation of a business opportunity of the Company with the object of obtaining a benefit for myself or any other person (hereinafter, "**Breach of Trust**") and do not harm the best interest of the Company, just because me or my relatives are stakeholders in the Corporations.
4. Where I to believe, according to my best knowledge, that an activity within the scope of my office as office holder of the Company is connected to me or my relatives or the Corporations personally, and also were the Company to enter into an exceptional transaction and/or an ordinary transaction connected to me or my relatives or the Corporations personally and it came to my knowledge – I shall notify the audit committee and/or the board of directors, as the case may be, of my personal interest, if the activity and/or transaction is presented for their approval, or to an entity and/or forum reaching a decision with respect to the act or approving the transaction, if the activity and/or transaction is not presented for the approval of the board of directors at the beginning of the deliberation on the activity and/or the transaction and I shall not be present at the meeting at the time of the deliberation on the activity and/or the transaction; however, I may be entitled to participate at the beginning of the meeting for the purpose of passing on information only.

5. I possess all the skills required and the capacity to devote the appropriate time to perform my position as director of the Company, with attention *inter alia* to the special needs and size of the Company, based on the skills listed below:

**Education**

*BSC, Technicon*

**Professional Experience**

*Deputy CEO and VP of Public Traded Company*

6. Likewise, I undertake that if any of the conditions required under the Law for my office as director of the Company cease to exist in my case, or if a ground for the expiration of my office as director of the Company exists in my case, I shall notify the Company thereof immediately and my office shall expire from the date of notification as stated in Section 227A of the Law (as set forth in Appendix A). I know that pursuant to Section 234 of the Law, a breach of such duty of notification shall be deemed a Breach of Trust on my part to the Company.
7. After having closely read and understood all that stated above, I declare that all that stated above is the truth and that I am fully aware of all my obligations and rights under the Law and Regulations.

Bareket Shani  
Name

20/3/2019  
Date

(-)  
Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or any private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

(b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

**To:**

**Unitronics (1989) (R”G) Ltd.**

**Declaration of eligibility as an external director**

Pursuant to the Companies Law, 1999 (“**the Law**”)

I, the undersigned, Rivka Granot, bearer of I.D No: 022652457 of Finland 8, Haifa, after having been warned to state the truth, and that I shall be liable to the penalties prescribed by law should I fail to do so, hereby declare and undertake that I meet the qualifying requirements described in Section 240 of the Law, and declare that:

1. I am a resident of Israel.
2. I am not restricted from serving as a director of the Company under any items set forth in Sections 225 to 227A of the Law, regarding the restriction of appointment of a minor, incapacitated person, restriction of appointment due to conviction or the decision of an administrative enforcement committee or bankruptcy – as these restrictions were. The provisions of the sections, as being on the date of signing of this declaration, are specified in **Annex A** which is attached to this declaration as an integral part hereof.
3. I declare that I have all of the qualifications required, and the ability to dedicate the proper time to the fulfilment of the office of external director in the Company, taking into account, among others, the special needs and size of the Company as detailed below:

**Education**

- Academic. BA in Economics and Business Administration from Haifa University
- M.Sc. in Business Administration Science from the Technion.
- Holds an investment portfolio management license

**Professional Experience**

Serves as a Director in Public Traded and Private Companies

Several management roles in the Israeli Capital Market Companies for over 15 years

4. I have financial and accounting expertise in accordance with the provisions of the Law and the regulations thereunder.
5. I am not a relative of the controlling shareholder of the Company and neither myself nor any of my relatives, partners, employers, a person to whom I am directly or indirectly subordinated or an entity in which I am a controlling shareholder, on the date of my appointment as external director of the Company or in the two years that preceded the date of my appointment, have affiliation with the Company, the controlling shareholder of the Company or a relative of the controlling shareholder on the date of my appointment, or with another corporate body;

Without derogating from Section 4 above, neither I, nor any of my relatives, partners or employers, nor any person to which I am directly or indirectly subordinated, nor a corporate body in which I am a controlling shareholder, have any business or professional



relationship with the Company, the controlling shareholder of the Company or a relative of the controlling shareholder of the Company on the date of my appointment, or another corporate body, even if such relationships are not continuing, excluding insignificant relationships, and I have not received any payment in addition to the directors' remuneration and reimbursement of expenses to which I am entitled by law, directly or indirectly, as an external director of the Company.

For purposes of this declaration –

“Affiliation” – The existence of employment relations, the existence of habitual business or professional relationship or control, and the holding of office as an officer, apart from the office of a director who was appointed to act as an outside director of a company which is about to make a first public offering of shares, except for matters which, as the minister determined, shall not constitute an affiliation.

“Another Corporation” – A corporation whose controlling shareholder, on or two years before the date of appointment, is the Company or its controlling shareholder.

“Relative” – spouse, sibling, parent, grandparents, offspring, and an offspring, sibling or parent of the spouse or the spouse of any of the above.

6. My other positions and occupations do not and may not create a conflict of interests with my duties as outside director, and will not prejudice my ability to hold office as outside director.
7. I do not serve as a director of any other company any of whose directors serve as an external director and/or independent director of the Company.
8. I am neither an employee of the Israel Securities Authority, nor an employee of the Tel Aviv Stock Exchange Ltd.
9. I hereby undertake to immediately notify the Company if any of the legal requirements, for serving as an external director cease to be met or in the case of a cause which may give rise to the termination of my tenure as external director of the Company.
10. Having read and understood all the foregoing, I hereby declare that all the aforesaid is the truth and that I am aware of all my rights and obligations under the Law and regulations thereunder.

Granot Riki

10/3/19

(-)

Name

Date

Signature

## **Appendix A**

### **Articles 225-227A of the Companies Law, 5759-1999**

#### **Duty of Disclosure**

**225. (a)** A person who is a candidate to hold office as a director shall disclose to the person appointing him:

(1) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a) and not yet passed the period in which he should not serve as a director under section 226;

(2) whether he has been convicted by a conclusive judgment of an offense referred to in section 226(a1) and not yet passed the period set by the court under that subsection;

(3) whether the Administrative Enforcement Committee imposed on him enforcement measure which prohibits him to serve as a director in any public company or a private company which is a debenture company, and not yet passed the period set by the Administrative Enforcement Committee.

**(b)** In this mark:

"enforcement measure" – as stated in section 52NF to the Securities Law which imposed under chapter H4 to the Securities Law, under chapter G2 to the Investment Advice and Investment Portfolio Management Law, 1995, or under chapter J1 to the Joint Investment Trust Law, 1994, as applicable;

"Administrative Enforcement Committee" - the committee appointed under section 52LB(a) to the Securities Law;

"Conclusive judgment" – judgment of a court of the first instance

#### **Restriction on Appointment Due to Conviction**

**226. (a)** A person convicted by a conclusive judgment of one of the following offenses shall not hold office as a Director in a public company or a private company which is a debenture company unless five years have passed from the date on which the judgment by which he was convicted was given:

(1) Offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;

(2) A conviction by a court outside Israel for offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;

(3) (deleted)

**(a1)** A person convicted by a conclusive judgment, as it is defined in section 225(b), in an offense that was not mentioned in subsection (a), if the court determined that due to its nature, severity or circumstances he is not fit to serve as a director of public company or a private company which is a debenture company for the period that the court determined which shall not exceed five years from the judgment.

**(b)** The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that

despite his conviction of offenses as laid down in subsections (a), and taking into account, inter alia, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company or a private company which is a debenture company, or the period in which he is precluded from holding office as director of public company or a private company or a private company which is a Debenture Company will be shorter than five years.

(c) The Minister may prescribe additional offenses to those laid down in subsection (a)(1).

(d) The court, or a court of appeal – if one was submitted, may order a stay of execution regarding the limitations of the appointment or termination of office under this section at the date and on such terms as it deems fit.

**Restriction on  
Appointment  
Due to  
Administrative  
Enforcement  
Committee  
decision**

**226A.** If the Administrative Enforcement Committee has imposed an enforcement measure on a person, which precludes him from holding office as director of a public company or a private company which is a debenture company, such person shall not be appointed as a director of a company in which he is prohibited to serve as a director according to this measure;

**Limitation of  
Appointment**

**227. (a)** A minor, a legally incompetent person, a person who has been declared bankrupt as long as such person remains undischarged, shall not be appointed as director, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A person nominated to hold office as director to whom the provisions of subsection (A) apply shall disclose such to the entity appointing him.

**Duty of  
Notice**

**227A.** A director that no longer fulfils one of the requirements for office as a director under this Law or there is ground for expiration of his office as a director shall notify the company immediately, and his office shall expire on the date of the notice.

## Appendix H

### Detailed compensations for 2018 according to the sixth addition to the Securities Regulations (Periodic and Immediate Reports), 1970

Information on those receiving the compensation				Compensation for services (in NIS thousand and in terms of cost to the Company)							Other Compensation			
Name	Position	Scope of position	Rate of holding of the Company's capital	Salary	Bonus	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other	Total
Haim Shani	Acting Chairman of the Joint Board of Directors	30%	<sup>(1)</sup> 21.92%	1,176	<sup>(2)</sup> 1,052	-	-	-	-	-	-	-	-	2,228
Bareket Shani	Director, Deputy CEO and VP Human Resources	100 %	-	660	-	-	-	-	-	-	-	-	-	660
Amit Ben Zvi	Acting co-Chairman of the Board of Directors	-	-	647	578	-	-	-	-	-	-	-	-	1,225
Amit Harari <sup>(3)</sup>	CEO	100%	-	646	264	-	-	-	-	-	-	-	-	910

- (1) As at March 27, 2019.
- (2) As of 2005, Mr. Shani is entitled to an annual bonus for every calendar year and so long as he is employed as a senior officeholder in the Company, at a rate of 7.5% of the profit before taxes for each year (cost to the Company), but not in excess of NIS 1,140 thousand, linked to the known Consumer Price Index on the date of determining the bonus. The calculation is in respect of each year separately (not cumulatively).
- (3) The ratio between Mr. Harari's salary and that of the rest of the Company's employees is as follows: Average ratio: 8.53%, medial ratio: 9.60%.

There is a rent agreement between the Company and a company controlled by Mr. Haim and Ms. Bareket Shani, the main points of which are as follows:

Unitronics House - rent from a controlling shareholder: In addition to the Company's floors, that are used thereby in their entirety, the Company rents spaces on the private floors, in accordance with its changing needs from time to time, with identical terms to those by which spaces on the private floors are rented to third parties, and which also reflect the customary renting conditions in Airport City in general. As at the date of this Report and according to an agreement approved by the General Meeting of the Company's shareholders on July 15, 2018, the Company rents 1,022 square meters and 30 parking spaces for a rental period ending on August 1, 2021, subject to the Company's right to adjust the area of the rented space in accordance with its needs from time to time, under the same terms (provided that the area does not exceed 1,022 sq. m), and to terminate the renting agreement at any time by giving advance notice of 3 months, all in accordance with the decision of the Company's Audit Committee. The monthly rental fees are NIS 75 per square meter, a total of NIS 76,650 per month, linked to the Consumer Price Index as at June 2009, and a total of NIS 117,481 per month including maintenance fees, parking spaces and CPI linkage differentials, as mentioned above. For details regarding the scope of space rented by the Company in the Unitronics House in the past, as well as the rental terms under previous agreements, see the Report for the Convening of a General Meeting of the Company's shareholders, published on May 30, 2018 (reference no. 2018-01-053395), which is hereby included by way of reference, and Section 4.6.1 of Chapter D of the 2018 Report.

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

## Officers Compensation Policy 2019

### Table of contents

1. Purposes of Compensation Policy Document.....	3
2. Definitions .....	3
3. Compensation Policy – general .....	5
4. Compensation Policy formulation, revision and approval process.....	6
5. Purposes of Compensation Policy .....	6
6. Oversight and Control of Officers' Compensation .....	7
7. Board of Directors' guiding principles for implementing the Compensation Policy .....	8
8. Effect of the Company's size and the nature of its activity on officers' compensation .....	9
9. Ratio between officers' compensation and compensation of the Company's other employees .....	10
10. Officer compensation components – general.....	11
11. Fixed compensation – salary of an employee officer (excluding the Company's Chief Officer and/or a controlling-shareholder officer or his relative and/or a Director) .....	14
12. Fixed compensation – compensation of a non-employee officer .....	15
13. Officers' fringe benefits (excluding a Chief Officer and/or a controlling-shareholder officer or his relative and/or a director) .....	16
14. Fixed compensation – salary of the Chief Officers and/or a controlling-shareholder officer or his relative (excluding Joint Active Chairman of the Board) .....	19
15. Fringe benefits of a Chief Officer and/or a controlling-shareholder officer or his relative (excluding Joint Active Chairman of the Board).....	20
16. Variable compensation – special bonus to officers, excluding a controlling-shareholder.....	24
17. Variable compensation – bonus plan for officer excluding the Company Chief Officers .....	24
18. Variable compensation – bonus plan for Chief Officers (excluding Joint Active Chairman of the Board) .....	25
19. Variable compensation – officers' bonus plan, including Chief Officers – Cap... ..	26
20. Variable compensation – limitation and reduction .....	26
21. Bonus entitlement for a partial employment period .....	27
22. Bonus correction .....	27
23. Equity-based compensation .....	27
24. Compensation of Directors and External Directors .....	29

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25. Insurance, indemnification and exemption.....	30
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1. Purposes of Compensation Policy Document.....	2
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## 1. Purposes of Compensation Policy Document

This document, dealing with the Compensation Policy for officers of the Company, in accordance with 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 and/or the Chairman of the Board~~ chief officers and/or 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 Audit and Compensation Committee sitting as the Compensation Committee of the Company, and if there is no such combined committee, then the Compensation Committee of the Company alone.
"Chairman of the Board" – The <u>active and/or joint active and/or other and/or additional</u> Chairman of the Board of Directors of the Company.
"Active Chairman of the Board" – Mr. Haim Shani or anyone appointed in his place.
"Joint Active Chairman of the Board" – Mr. Amit Zvi or anyone appointed in his place.
"CEO" – The Chief Executive Officer of the Company.
"Chief Officer" – <u>one or more persons who fill the position of CEO or Chairman of the Board.</u>
"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.
"salary" or "basic salary" or "compensation" – The fixed component in an officer's terms of service and employment, comprising the basic salary or the compensation

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(gross) set in the employment or service agreement (as applicable) 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.
<p><b>"fringe benefits"</b> – An officer's terms of service and employment (excluding salary or compensation, as applicable, 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. <u>It should be emphasized that the aforesaid does not constitute an undertaking to provide all or part of the fringe benefits to any of the officers, and this is a general and partial list, which will be examined on a case-by-case basis for each officer separately, taking into account the remuneration basket of that office holder, his position, his seniority, etc. Some of the fringe benefits may be grossed-up by the Company for tax purposes.</u></p>
<p><b>"bonus" and/or "grant" and/or "variable compensation"</b> – 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.</p>
<p><b>"Capital compensation"</b> – <u>a variable component of the compensation, consisting of capital components that include, inter alia, allocation of the Company's securities, such as options.</u></p>
<p><b>"option"</b> – An undertaking that confers on the <del>purchaser-receiver</del> 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.</p>
<p><b>"Zviran Survey" or "Zviran"</b> – A salary and benefits survey, including a senior management survey, based on salary data collected in Israel's <del>technology-various sectors and including in a sample of more than 100,000 employees in more than 25085 companies in the high-tech, technology, communications and industry-and-information-system sectors, providing. The survey includes</del> 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); <del>ownership (private or public company)</del> and company's status (Israeli company or a subsidiary of an international company). The survey shows a weighted average for 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.</p>
<p><b>"Zviran Average"</b> – Average value of an officer's compensation, calculated by the Company on the basis of Zviran data regarding matching companies to the Company in</p>



terms of values of the tested criteria, <u>number of (size – 150-500 employees, ownership – public and status – Israeli).</u>
<b>"Net profit"</b> – Profit after tax in the Company's consolidated Profit or loss statement.
<b>"Contractor's workers employed by the Company"</b> – <u>employees of manpower contractors whose actual employer is the Company, and employees of service contractors who are employed as service providers for the Company; For this purpose, "manpower contractor", "service contractor", "actual employer" – as defined in the Employment of Employees by Manpower Contractors Law, 5756-1996.</u>

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 The Company's Compensation Policy was first approved by the General Meeting of the Company's shareholders in December 2013 (following its approval by the Compensation Committee and by the Board of Directors), and it was revised in May 2016. In accordance with the provisions of the Companies Law, which require the compensation policy of a company to be approved every three years, in August 2016, and again in March 2019, the Compensation Committee and the Board of Directors reviewed the Company's Compensation Policy and approved it in this version, and they also recommended to the General Meeting of the Company's shareholders to approve this Compensation Policy.
- 3.2 Starting from the date of re-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.
- 3.3 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.
- 3.4 The Compensation Policy was formulated and revised 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.
- 3.5 The Compensation Policy is an advanced tool, based on targets and measures derived, *inter alia*, from the Company's annual and multiannual work plans.

- 3.6 The Company will act in accordance with any present or future statutory provision relating to its Compensation Policy and/or to the terms of service and employment of its officers.
- 3.7 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.
- 3.8 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.
- 3.9 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, revision and approval process

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

- 4.1 **Compensation Committee:** The Compensation Committee gives the Board of Directors its recommendation regarding the approval of the officers' Compensation Policy. 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 **Board of Directors:** 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 **General Meeting:** Approves the Compensation Policy in accordance with the provisions of the Companies Law, subject to the qualifications ~~referred to in Section 3.3 above~~ as set in the Companies Law.
- 4.4 **General:** 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, 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 measurements 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 considerations:

- 7.1 Conformance between the Compensation Policy and the Company's financial position and long-term goals – 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~~ chief officer 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 ("~~CEO's~~ Chief Officer's evaluation"); and (b) the grant of a special bonus, all the above as detailed in Sections 16-17 below. It is clarified that a chief officer will not evaluate his own performance for the purpose of implementing the qualitative criteria as stated, and his performance will be evaluated by another chief officer, the Board of Directors, or whoever will be authorized by him from time to time.

- 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,"<sup>1</sup> 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 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 and revising 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 referring to the senior management in Israel's ~~technology~~ various sectors, in which the Company also participates (in the technology sector). 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.

<sup>1</sup>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.

## 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

In granting the compensation to the officers, the gap between the terms of office and employment of the officers and the average annual salary and the median annual salary in the Company, including contractor's workers employed by the Company, will be taken into account, as well as the expected effect of this gap on all labor relations.

As of the date of approval of this policy, the maximum ratio between the terms of office and employment of the officers and the median and average salary of the rest of the Company's employees and the contractor's workers employed by the Company is as follows: An examination will be made of the ratio between the terms of service and employment (annual cost<sup>2</sup>) 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.<sup>3</sup> The following table presents the ratio in 2015 between the annual cost of the terms of service and employment of the five highest paid senior officers of the Company or a corporation controlled by it in that year, and the cost of the annual average and median salary of the Company's other employees (apart from officers):

<u>Rank</u>	<u>Average ratio</u>	<u>Median ratio</u>
<u>CEO</u>	<u>8.53</u>	<u>9.60</u>
<u>Officers subordinate to CEO</u>	<u>3.92</u>	<u>4.35</u>

\* In the calculation of the above ratios, compensation data for the officers and employees of the subsidiary Automatic Solutions (without subsidiaries in the US) were taken into account.

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## **74.10. Officer compensation components – general**

74.10.1 The main components included (wholly or partly) 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.
- 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.

74.210.2 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.

74.310.3 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.

#### 74.410.4 Ratio between officer compensation components

The desirable ratios between the variable and equity compensation components and fixed component of 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	Measurable component	
<del>Non-officer</del> Chairman of the Board <sup>8</sup>	100%*	-*	-*	-
CEO	100%	100%	400%	50%
VP and/or another officer	100%	75%	300%	50%
Directors	100%	-	-	-

\* The compensation of an ~~Joint Active non-officer~~ Chairman of the Board does not include a variable component and is up to 55% of the cost of the ~~Active CEO's~~ Chairman of the Board's salary (see details in Section 24.3 below); the ~~Active Chairman of the Board~~ CEO's salary includes a variable component (see details in Section 18 below).

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#### 74.510.5 Current Company officer compensation components compared to average data according to Zviran

The ratio between the scope of remuneration of Company officers in 2018~~5~~ 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 2018~~5~~, was calculated in the following manner:

% fixed salary to Zviran average (\*) =  $\frac{\text{Officer's fixed salary paid by the Company}}{\text{Zviran Average of fixed salary}}$

% variable compensation to Zviran average =  $\frac{\text{Officer's variable compensation paid by the Company}}{\text{Zviran Average of variable compensation}}$

% total compensation to Zviran average =  $\frac{\text{Officer's total compensation paid by the Company}}{\text{Zviran Average of total compensation}}$

The ratio (in percentage) between the salary of the Company's officers for 2018~~5~~ and Zviran averages for various components to corresponding positions in similar companies, based on a Zviran survey for September 2018~~5~~, is presented in the table below, the table also lists the Zviran average values of September 2018~~5~~ to equivalent positions in similar companies:

<sup>8</sup> The terms of office and service of the ~~Joint Active~~ Chairman of the Board do not include any fringe benefits, apart from reimbursement of expenses under Section 13.4 below, ~~except for insurance, indemnification and exemption as stated in Section 25 below.~~



Component	Fixed salary or compensation		Variable compensation		Total compensation	
	Ratio (%)	Zviran Average	Ratio (%)	Zviran Average	Ratio (%)	Zviran Average
Chairman of the Board (**) (***)	70%	67	-	-	70%	67
CEO	70%	149	199%	448	96%	186
VP and Products Division Manager	47%	109	72%	178	50%	124
CEO of a US subsidiary	72%	100	109%	178	77%	115
CEO of an Israeli subsidiary	46%	100	23%	178	43%	115
Director, Deputy CEO and VP Human Resources	82%	72	0%	123	71%	83
CFO	50%	105	0%	137	45%	117

(\*) May not exceed the limit set in Sections 11.65 and 12.65 for an officer who is not a Chief Officer and for an officer who is not the Company's a non-CEO officer and/or a non-employee officer, respectively, in Section 14.6 for an officer in the position of CEO-Chief Officer and/or a controlling-shareholder officer and/or his relative, and in Section 24.3 for the Joint Active Chairman of the Board.

(\*\*) Since the office of Chairman of the Board is not defined in the Zviran index, and since under Section 24.3 below the Chairman Joint Active of the Board is entitled to annual compensation at a rate of up to 55% of the total annual cost of employment of the Company's Joint Active Chairman of the Board, with the addition of VAT if applicable, the compensation of this officer was compared to compensation amounting to 55% of the cost of a CEO's position according to the Zviran index.

(\*\*\*) ~~Since in 2015 the Chairman of the Board also served as an officer of the Company, and therefore he was not paid any compensation for his position as Chairman of the Board, the comparison took into account 55% of the cost of employment of the Company's CEO in 2015.~~

## **76.11. Fixed compensation – salary of an employee officer (excluding the Company's Chief Officer-CEO and/or the Chairman of the Board 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:

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

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

76.11.3 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.

~~76.4~~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~~a Chief Officer 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 Market (benchmark) comparison – Fixed salary of an employee officer (excluding ~~the Company CEO and/or the Chairman of the Board~~ a Chief Officer 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 Average of the salary for corresponding positions, , 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 Average of the salary as of then (the fixed salary cap prescribed in this section for an officer, calculated according to the Zviran Average for September 2018~~5~~, is in the range of NIS ~~72-60~~ to ~~409-98~~ 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).

## **77.12. Fixed compensation – compensation of a non-employee officer**

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

~~77.12.1~~77.12.1 The officer's education, qualifications, expertise, professional experience and achievements.

~~77.2~~77.212.2 The officer's position and responsibilities, and prior salary agreements signed with him (if at all).

77.312.3 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.

77.412.4 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 a Chief Officer~~<sup>CEO</sup> 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.

77.512.5 Market (benchmark) comparison – Fixed compensation of a non-employee officer (excluding ~~the Company CEO and/or the Chairman of the Board a Chief Officer~~ 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 compensation range for non-employee officers that conforms to the market standard and conditions, a comparison will be made between the fixed salary or compensation proposed for the officer and the Zviran Average (in cost terms) of a salary for corresponding positions, in companies with similar characteristics as detailed above.

For the purpose of implementing the comparison, as detailed above, the salary or compensation of a Company officer will be determined such that it does not exceed by more than 40% the updated Zviran Average of the salary as of then (the fixed salary cap prescribed in this section for an officer, calculated according to the Zviran Average for September 201~~58~~, is in the range of NIS ~~72-60~~ to ~~409-98~~ 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.

~~77.6~~12.6 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.

**78.13. Officers' fringe benefits (excluding ~~the Company's~~ CEO and/or the Chairman of the Board a Chief Officer 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:

~~78.4~~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.

~~78.2~~13.2 Severance grant – ~~the approving entity for the purpose of this Section shall be the Chairman of the Board of Directors only, who may give severance grants to officers (except himself) (and in the case of a Chairman of the Board of Directors, with the approval of the Second Chairman of the Board of Directors, and if there is none, with the approval of the Board of Directors). 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:

<u>Employed up to 5 years at the Company</u>	<u>Employed 5 years or more at the Company</u>
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, as defined in this Section, would justify withholding severance pay.
- ~~The Company CEO a chief Officer (who is not the CEO and who is not the candidate for a severance grant)~~ 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, as defined in this Section, 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, as defined in this Section, is authorized to approve.

78.313.3 Non-competition – 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.

78.413.4 Reimbursement of expenses – 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.

78.513.5 Annual vacation – Employee officers are entitled to annual vacation ranging from the minimum number of days specified in the law to a maximum of ~~30-25~~ 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 ~~30-25~~ 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.

78.613.6 Sick leave – 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.

78.713.7 Convalescence pay – Employee officers are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.

78.813.8 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 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.

~~78.9~~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.

~~78.40~~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.

~~78.41~~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.

~~78.42~~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.

~~78.43~~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.

~~78.44~~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.

~~78.45~~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.

~~78.46~~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.

**79.14. Fixed compensation – salary of the ~~Company~~ controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board)**

In determining the salary of ~~the CEO~~ Chief Officer and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board), the following factors will be taken into account:

~~79.14.1~~ His education, qualifications, expertise, professional experience and achievements.

~~79.14.2~~ His responsibilities and prior salary agreements signed with him (if at all).

~~79.14.3~~ The ratio between the terms of service and employment of the ~~CEO~~ Chief Officer who receives the highest compensation and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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~~ Chief Officer and/or a controlling-shareholder officer or his relative (excluding ~~Joint Active~~ the Chairman of the Board) (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.

~~79.14.4~~ The basic salary of ~~the CEO~~ Chief Officer and/or of a controlling-shareholder officer or his relative (excluding ~~Joint Active~~ the Chairman of the Board) will be determined during the negotiations between him and the Company, which will be conducted on behalf of the Company by ~~the CEO~~ Chief Officer or by the Board of Directors or by whoever is authorized by it from time to time. It should be clarified that the negotiations regarding the compensation and fringe benefits of a Chief Officer will be managed by another Chief Officer, the Board of Directors, or whoever will be authorized by it from time to time.

~~79.14.5~~ A contract with a Chief Officer who the CEO and/or is a controlling-shareholder officer or his relative and/or with an Officer who is a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) may not exceed a period of three years.

~~79.14.6~~ Market (benchmark) comparison – Fixed salary of ~~the Company CEO~~ Chief Officer and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board)

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~~ Chief Officer 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~~ Chief Officer who receives the highest compensation 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~~ a Chief Officer, 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 Average of a salary for corresponding positions, based on the Zviran Survey updated as of then. The salary of ~~the Chief Officer~~ the CEO and/or of controlling-shareholder officer or his relative will be determined such that it does not exceed by more than 40% the Zviran Average of a salary according to similar companies, based on criteria of size ~~(150-500 employees), ownership (public)~~ prescribed in this section for an officer, calculated according to the Zviran Average for a CEO as of September 2015~~8~~, is NIS 124~~9~~ thousand per month).

#### **80.15. Fringe benefits of a Chief Officer~~the Company CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board)**

In addition to any examination that must be carried out by the Approving Entity prior to the approval of the terms of service and employment of a Chief Officer~~the CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board), 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 a Chief Officer~~the CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) all or any of the fringe benefits detailed in this section below:

**80.15.1** Prior notice and termination of employment – The prior notice period for a Chief Officer~~the CEO~~ and/or for a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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 Chief Officer~~Company CEO~~ can be made subject to special conditions.

**80.15.2** Severance grant – The Approving Entity ~~for the purposes of this Section will be the Chairman of the Board of Directors only, who may grant the Chief Officers (except himself) CEO and/or a controlling-shareholder officer or his relative, severance grants (and in the case of (excluding the Chairman of the Board, with the approval of the second Chairman of the Board, and if there is none, then with the approval of the Board of Directors)) a severance grant,~~ in addition to the severance pay required by law, in an amount subject to the following limit:

<u>Employed up to 5 years at the Company</u>	<u>Employed 5 years or more at the Company</u>
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, as defined in this Section, would justify withholding severance pay.
- A Chief Officer (who is not the CEO and who is not the candidate for a severance grant) 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, as defined in this Section, 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, as defined in this Section, is authorized to approve.

80.315.3 Non-competition – ~~The CEO~~a Chief Officer and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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.

80.415.4 Reimbursement of expenses – ~~a Chief Officer~~~~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.

80.515.5 Annual vacation – ~~a Chief Officer~~~~The CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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 ~~Chief Officer~~~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board).

80.615.6 Sick leave – ~~a Chief Officer~~~~The CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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.

80.715.7 Convalescence pay – ~~a Chief Officer~~~~The CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) are entitled to convalescence pay as specified in the extension order concerning the payment of convalescence pay.

80.815.8 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 Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) and in accordance with the provisions of any law governing the subject. The contributions will be on the basic salary only of the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding the Chairman of the Board), excluding any other compensation components.

The Company may condition the payment of contributions for pension insurance on the agreement of the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) to deduct his share of the contributions from his salary.

The Company will insure the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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 Chief Officer~~CEO~~ and/or the controlling shareholder officer or his relative.

The Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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.

80.9~~15.9~~ Study fund – The Company will contribute each month an amount ~~equal of up~~ to 7.5% of the salary of the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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 Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board), as notified by him in advance and in writing to the Company.

80.10~~15.10~~ Car – The Company may place at the disposal of the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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.

80.11~~15.11~~ Mobile phone and/or laptop computer – The Company will place at the disposal of the Chief Officer~~CEO~~ and/or the controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) a mobile phone and/or laptop computer for his personal use, according to the Company's choice. The Chief Officer~~CEO~~ and/or the controlling-shareholder officer (excluding ~~the Joint Active~~ Chairman of the Board) will pay any tax that is due from him for the use of such phone and/or laptop.

80.12~~15.12~~ Subsistence expenses – The Chief Officer~~CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) is entitled to lunch at the Company's offices during work hours, and he will bear any tax payable on this benefit. The Chief Officer~~CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~the Joint Active~~ Chairman of the Board) 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.

~~80.13~~15.13 Continuing education programs and courses – The Company will bear the costs of continuing education programs and courses attended by the ~~Chief Officers CEO~~ or a controlling-shareholder officer or his relative (excluding ~~Joint Active the~~ Chairman of the Board), according to its decision.

~~80.14~~15.14 Overtime – Overtime will be paid in accordance with the law. Since the ~~Chief Officers CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~Joint Active the~~ Chairman of the Board) 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.

~~80.15~~15.15 Definition-dependent salary components – The Company may base a portion of the salary of the ~~Chief Officer CEO~~ and/or a controlling-shareholder officer or his relative (excluding ~~Joint Active the~~ Chairman of the Board) 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.

~~80.16~~15.16 Confidentiality, transfer of intellectual property rights, IT policies –When signing an employment agreement with the Company, the ~~Chief Officer CEO~~ or a controlling-shareholder officer or his relative (excluding ~~Joint Active the~~ Chairman of the Board) 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.

## **81.16. Variable compensation – special bonus to officers, excluding a controlling-shareholder**

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 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. 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.

## **82.17. Variable compensation – bonus plan for officer excluding the Company ~~Chief Officers CEO and/or the Chairman of the Board~~**

~~82.17.1~~17.1 The mechanism for payment of an annual bonus and/or grant to officers, excluding the ~~Chief Officers CEO and/or the Chairman of the Board~~ 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 – Chief Officer's~~CEO's~~ evaluation.

~~82.2~~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.

~~82.3~~17.3 The Chief Officer's~~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 Chief Officer~~CEO's~~ judgment.

~~82.4~~17.4 Bonus determination mechanism

As mentioned above, in the bonus determination process, qualitative components ("Chief Officer Evaluation") that are not measurable, as well as measurable quantitative components, will be taken into account.

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

~~82.4.1~~17.4.1 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~~operating profit, as calculated based on the Company's consolidated financial statements. A quantitative scale will be applied to each of the financial targets, as follows:

~~82.4.1.1~~17.4.1.1 Minimum performance threshold below which an officer will not earn a bonus.

~~82.4.1.2~~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~~could earn him an addition bonus for a predetermined amount.

~~82.4.2~~17.4.2 Up to 20% for qualitative targets based on the ~~CEO's~~Chief Officer's evaluation, as discussed above.

~~82.5~~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.

~~82.6~~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 ~~Chief Officer~~CEO evaluation shall be conducted. The actual grants be actual paid 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.

### **83.18. Variable compensation – bonus plan for ~~the Chief Officer~~Company-CEOs (excluding Joint Active Chairman of the Board)**

In addition to all the foregoing, the Approving Entities will consider whether, and under what conditions, also to pay the ~~Chief Officers (excluding Joint Active Chairman of the Board)~~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.

~~83.18.1~~ Without derogating from the generality of the foregoing, the ~~Chief Officer (excluding Joint Active Chairman of the Board)~~Company-CEO is entitled to an annual grant for each calendar year during which he is employed as ~~Company-CEO~~ Chief Officer, 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 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.

~~83.2~~18.2 In case the ~~Chief Officer~~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.

### **84.19. Variable compensation – officers' bonus plan, including ~~Chief Officers~~the-Company-CEO – 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 ~~Chief Officers~~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 as follows:

~~84.19.1~~ The total variable compensation for a non-~~CEO-chief~~ officer of the Company shall not exceed NIS 100 thousand per month in a calendar year. The total variable compensation for ~~the a Chief Officer~~ CEO shall not exceed NIS ~~12~~50 thousand per month in a calendar year.

~~84.2~~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.

## **85-20. Variable compensation – limitation and reduction**

~~85-20.1~~ Limitation on the variable compensation for meeting quality objectives (non-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.

~~85-20.2~~ 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.

~~85-20.3~~ 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.

## **86-21. 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.

## **87-22. Bonus correction**

If the Company's audited consolidated financial statements for any year are corrected, in such manner that 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.

## **88.23. Equity-based compensation**

The Company may grant ~~its officers (that do not serve only as Directors in it) equity-based compensation, including options and to the Company's~~ 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).

### **88.23.1 Criteria for determining equity-based compensation**

~~88.23.1.1~~ **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 ~~shall not exceed 10% of the issued capital of the Company as of the date of approval of this plan by the Board of Directors. 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 shall be (1) the higher of: (a) the opening price of the Company's share on the day of the Board of Directors' resolution on the grant of the options; (b) a premium of 5% above the average price of the Company's shares on the Tel Aviv Stock Exchange Ltd. during the 30 trading days preceding the date of the resolution to grant the options under this plan, or (2) another price to be determined by the authorized organs of the Company (provided that it will not be less than NIS 0.30 per share), in a manner that will constitute an appropriate incentive to maximize the Company's value in the long term.

**23.1.3** Without derogating from the generality of the aforesaid in Section 23.1.2 above, it is hereby clarified that subject to the resolution of the Company's Board of Directors, in circumstances where the allotment of securities to a particular officer requires the approval of the general meeting, the exercise price may be calculated in accordance with the above principles, with respect to the date of approval by the general meeting. In addition, in circumstances where a specific grant date, which is later than the date of approval by the board of directors or the general meeting (as the case may be), is set in a specific plan of a particular officer, the exercise price will be calculated, in accordance with the above principles, with respect to the grant date determined by the competent organs.



~~88.1.2 The exercise price and the terms of the plan will not embody an immediate the years).~~

~~88.1.423.1.5~~ The exercise period may not be less than one year after each vesting date, ~~but not more than 6 years after the relevant allotment date.~~

~~88.1.523.1.6~~ An option plan may not include an automatic renewal mechanism.

~~88.1.623.1.7~~ 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 also be considered equity-based compensation.~~ To remove any doubt, the exercise price of phantom options ~~will not gross-up 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.~~

~~88.1.723.1.8~~ 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.

~~88.1.823.1.9~~ No automatic mechanism, which allows for the immediate acceleration of the conditions of a capital grant, will be allowed, except to the extent that the Company is a party to an agreement or a stock exchange arrangement (such as a merger or reorganization transaction). ~~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.~~

~~88.1.923.1.10~~ 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.

~~88.1.10~~ Re-pricing (reduction in the exercise price) of an option granted to an officer will not be permitted.

#### **88.223.2 Ceiling for the value of annual equity-based compensation on the grant date**

The value of **annual** equity-based compensation that is not ~~settled distributed~~ 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. ~~For the cap purposes, the cumulative annual fair value of the capital compensation to be granted to officers of the Company on the grant date will be estimated according to the total economic value on the grant date divided by the number of years until the full vesting date.~~

### **89.24. Compensation of Directors and External Directors**

~~89.124.1~~ **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 External Director), 5759-2000. No share-based grants will be given to an External Director. External Directors will also be entitled to reimbursement of expenses as provided above.

89.24.2 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 External Directors.

89.24.3 ~~Joint Active Chairman of the Board and/or a Director serving as a Company officer (in addition to being a Director) – As long as the Joint Active Chairman of the Board and/or a Director 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 and/or Director. If the Chairman of the Board does not also serve as an officer of the Company (in addition to being a Director), then the Chairman of the Board shall be entitled to an annual compensation of up to 55% of the total annual cost of the CEO Active Chairman of the Board, plus VAT as applicable, at its rate from time to time, plus reimbursement of expenses as specified in Section 13.4 above, as well as insurance, indemnification and exemption, as stated in Section 25 below.~~ This, as determined by the Approving Entities and subject to any approval required by the law. A Joint Active Chairman of the Board ~~If the Chairman who receives compensation in accordance with Section 24.3, he shall not be paid Director's compensation as specified in Section 24.2, and he shall not be paid fringe benefits as specified in Sections 13, 15, 16, 17, and 18 above.~~

## 90.25. 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:

90.25.1 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.

90.25.2 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.