October 18, 2026

To the Securities Authority (submitted through MAGNA)

Dear Sirs\Madams

Re: **An Immediate Report Concerning the Convening of an Extraordinary General Meeting**

1. In accordance with the provisions of the Companies Law, 1999 (hereinafter: the "**Law**" or the "**Companies Law**") and in accordance with the Securities Regulations (Periodic and Immediate Reports) 1970, Tefron Ltd. (hereinafter: **the "Company**") is hereby pleased to announce on the convening of an Extraordinary General Meeting of the Company, which will be held on **Monday**, **November 23**, **2026**, at 12:00 PM at the offices of Firon Law Firm, located at 2 HaShlosha St., Tel Aviv.

2. The topics on the agenda

Approval of a new remuneration policy for officers of the Company.

3. Details on the topics on the Agenda

3.1 Description of the topic

a. On October 11, 2023, the General Meeting of the Company approved the remuneration policy for officers of the Company[1], which was valid for 3 years from the date of its approval by the General Meeting (hereinafter: "**the Previous Remuneration Policy"**), and accordingly, it expired on October 10, 2026.

b. On October 11, 2026, a new remuneration policy was approved by the Remuneration Committee, and thereafter by the Board of Directors of the Company, while making changes that are not material compared to the Previous Remuneration Policy (hereinafter: "**the New Remuneration Policy**"). These changes only reflect an adjustment of the salary ceilings specified in the policy to the increase in the consumer price index as of the date of the approval of the Previous Remuneration Policy until the date of approval of the New Remuneration Policy at a rate of approximately 8.7%. This adjustment reflects the Previous Remuneration Policy, the provisions of which establish linkage terms for the amounts stated therein.

c. The format of the New Remuneration Policy, which is marked in relation to the Previous

[1] See the immediate report concerning the convening of a General Meeting dated August 31, 2023, Reference No. 2023-01-082402, as well as an immediate report concerning the results of a General Meeting dated October 11, 2023, Reference No. 2023-01-114933.

Remuneration Policy is attached as **Appendix A** to this report. This, after the Remuneration Committee and the Company's Board of Directors reviewed during their aforementioned meetings all the considerations required according to the provisions of Section 267B of the Companies Law, and subject to the approval of the General Meeting of the Shareholders that is convened in accordance with this report. So far as the New Remuneration Policy is approved by the General Meeting, it shall take effect immediately on the date of its approval, meaning on **November 23, 2026**.

3.2 The principles of the New Remuneration Policy were formulated after internal discussions had been held at the Remuneration Committee and the Company's Board of Directors while consulting with financial and legal advisers. The Remuneration Committee and the Company's Board of Directors used the services of a financial consulting firm, which prepared on the eve of the approval of the New Remuneration Policy, a comparative analysis in relation to the remuneration of officers in similar companies to the Company.

3.3 The principles of the New Remuneration Policy have been formulated in order to determine a logical, appropriate and fair remuneration for the officers of the Company, which will ensure that the remuneration of officers will coincide with the best interests of the Company and its enterprise-wide strategy for the short term and the long term, while taking into consideration the risk management policy of the Company, and at the same time will increase the solidarity of the officers with the Company and its operations, increase their satisfaction and motivation, and lead to the preservation of the high-quality officers within the Company over time.

3.4 It should be noted that while the New Remuneration Policy determines, most times, the ceilings of the remuneration to be granted by the Company, the remuneration to be granted to each officer shall be determined by the competent organs of the Company while taking into account his education, skills, expertise, professional experience and/or achievements of the Company's officer, as well as the position of the Company's officer, areas of responsibilities and previous wage agreements signed with him.

3.5 The following are the principal updates included within the New Remuneration Policy in comparison to the Previous Remuneration Policy[2]:

3.5.1 **Clause 3.2 of the New Remuneration Policy** – Amending the numerical data regarding the ratio between the cost of the service and employment terms of the officers and the cost of the average and median salary wages of the Company's other employees, in accordance with the actual data at the date of the approval of the New Remuneration Policy by the Remuneration Committee and the Board of Directors.

[2] It is clarified that the following principal updates are presented in a concise form. The binding format that is presented for the approval of the meeting is the format attached as Appendix A to this report.

3.5.2 **Clause 4.1.1 (b) of the New Remuneration Policy - Updating the ceilings of a CEO –** It is proposed to update the ceiling of the monthly salary cost of a CEO in accordance with the increase in the Consumer Price Index (hereinafter: "**the Index**") as of the date of the approval of the Previous Remuneration Policy until the date of the approval of the New Remuneration Policy so that *in lieu* of a ceiling of NIS 190,000 per month, the ceiling of the monthly salary cost of the CEO will be NIS 206,000 per month. In addition, it is proposed to carry out a corresponding update of the total annual cost of the Company's CEO, for all its components (both fixed components and variable components), in accordance with the aforementioned increase in the Index so that in lieu of an annual ceiling of NIS 2,650,000, the annual ceiling will be NIS 2,880,000.

3.5.3 **Clause 4.1.1 (c) of the New Remuneration Policy - Updating the ceiling of the monthly salary cost of a Vice President whose place of activity is Israel –** It is proposed to update the ceiling of the monthly salary cost of a Vice President whose place of activity is in Israel in accordance with the increase in the Index as of the date of the approval of the Previous Remuneration Policy until the date of the approval of the New Remuneration Policy so that *in lieu* of a ceiling of NIS 120,000 per month, the ceiling of the monthly salary cost of the said Vice President will be NIS 130,000 per month.

3.5.4 **Clause 4.1.1 (d) of the New Remuneration Policy - Updating the ceiling of the monthly salary cost of a Vice President whose place of activity is outside of Israel –** In accordance with the aforesaid in clause 3.5.3 above, in view of the fact that according to section 4.1.1(d) of the New Remuneration Policy, the cost of the monthly salary of a Vice President, whose place of activity is outside of Israel, will not exceed 175% of the cost of the monthly salary of a Vice President whose place of activity is Israel, therefore, the ceiling of the monthly salary cost of the aforementioned Vice President will be updated in accordance with the increase in the Index as detailed in section 3.5.3 above so that *in lieu* of a ceiling of NIS 210,000 per month, the ceiling of the monthly salary cost of the aforementioned Vice President will be NIS 228,000 per month.

3.5.5 **The final part of Clause 4.1.1 of the New Remuneration Policy** - A wording clarification has been made.

3.6 Manner of implementing the Previous Remuneration Policy: The remunerations paid in practice to the Company's Chairman of the Board and the CEO during the time period beginning on the date of the approval of the Previous Remuneration Policy, have met the provisions of the Previous Remuneration Policy of the Company, and have not exceeded 100% and 79% of the ceilings stipulated in the Previous Remuneration Policy, respectively, with respect to all of the remuneration components.

3.7 The employment agreements of the Company's officers, which are in effect as of the date of this report, are in accordance with the New Remuneration Policy.

3.8 The identity of the directors who have participated in the approval of the New Remuneration Policy:

3.8.1 The Remuneration Committee, at its meeting held on October 11, 2026, decided unanimously to recommend adopting the New Remuneration Policy. The Board members who attended the meeting of the aforesaid Remuneration Committee are Prof. Shoshana Anily (external director), Mr. Aviram Lahav (external director) and Mr. Eytan Stiassnie.

3.8.2 After considering the recommendation of the Remuneration Committee, the Company's Board of Directors, at its meeting held on October 11, 2026, decided unanimously to approve the adoption of the New Remuneration Policy. The Board members who participated in the aforesaid Board meeting are the Chairman of the Board, Mr. Yossi Shachak, Prof. Shoshana Anily (external director), Mr. Aviram Lahav (external director), Mr. Ben Lieberman, Mr. Martin Lieberman, and Mr. Eytan Stiassnie.

3.8.3 In light of the fact that the New Remuneration Policy includes a reference to, amongst else, the remuneration to be paid to directors, all of the directors of the Company might be considered as having a personal interest in approving the New Remuneration Policy. However, in accordance with the Publication of the Staff of the Israeli Securities Authority, "Staff Publication No. 101-6: Amendment 20 to the Companies Law – Questions and Answers" dated January 15, 2013, the directors are not prevented from participating in the discussions of the Board and voting in regards with the New Remuneration Policy in spite of the alleged personal interest in the approval of the New Remuneration Policy, except for those for whom the New Remuneration Policy has consequences that affect them in a unique manner. Accordingly, the Chairman, Mr. Yossi Shachak, did not participate in the discussions held in regard to the components of the remuneration included in the New Remuneration Policy which are relevant to his service as the Company's active Chairman of the Board, and this due to his personal interest in the approval of the aforementioned topic. In addition, The Company's CEO and director Mr. Ben Lieberman and his brother the director, Mr. Martin Lieberman, did not participate in the discussions held in regard to the components of the remuneration included in the New Remuneration Policy that are relevant to the service of Mr. Ben Lieberman as the Company's CEO, and this in light of their personal interest in the approval of the said topic.

3.9 The main considerations and explanations in the resolution of the Remuneration Committee and the Board of Directors

3.9.1 After discussing the various components of the New Remuneration Policy, the Company's Remuneration Committee and the Board of Directors have concluded that the New Remuneration Policy is a recommended policy, which balances between the various remuneration components, and is proper and appropriate for the needs of the Company, while taking into account the nature of the Company, whose securities are traded on the Tel Aviv Stock Exchange Ltd., as well as the areas of operation and size of the Company.

3.9.2 The New Remuneration Policy expresses different purposes, including promoting the goals of the Company, its work plan, the Company's long-term policy, its strategic goals, financial situation, characteristics, business forecasts, the risk management policy of the Company and the corporate governance norms acceptable within the Company.

3.9.3 The New Remuneration Policy expresses the Company's desire to recruit, retain and promote high-quality and experienced officers and to incentivize them. Therefore, the New Remuneration Policy encompasses variable components which are intended to provide incentives for the Company's officers to achieve the Company's goals and maximize its profits in the long run. In addition, the New Remuneration Policy might be used to deepen the officer's identification with the Company's goals and values, and accordingly it is intended to ensure professional, efficient and stable conduct.

3.9.4 The New Remuneration Policy is, in fact, identical to the Previous Remuneration Policy, with the only update incorporated therein being the linking of the salary ceilings specified in it to the increase in the consumer price index compared to the index that was known at the time of the approval of the Previous Remuneration Policy at a rate of approximately 8.7%, when the said linking also stems from the provisions of section 4.1.1 of the Previous Remuneration Policy itself.

3.9.5 The Company's Remuneration Committee and the Board of Directors have determined, amongst else, that in view of all the conditions included in the framework of the New Remuneration Policy regarding the grants that might be granted to officers of the Company, the mechanism of the grants which is included as part of the New Remuneration Policy provides an appropriate incentive to the officers of the Company in achieving the Company's goals and maximizing its profits for the benefit of its shareholders, and is consistent with the provisions of the Companies Law.

3.9.6 The Scope of the total remuneration package of officers of the Company, as included in the proposed New Remuneration Policy is appropriate and reasonable in relation to the

acceptable remuneration package in the market for officers holding similar positions within similar companies to the Company, in terms of size and/or field of operation. This is based, amongst else, on the comparative analysis which was prepared by a financial consulting firm on the eve of the approval of the New Remuneration Policy, in relation to the remuneration of officers in similar companies to the Company.

3.9.7 The Remuneration Committee and the Board of Directors have examined the ratio of the cost of the employment terms proposed in the New Remuneration Policy and the average and median labor cost of the other employees of the Company in Israel, based on the existing wage at the date of the approval of the New Remuneration Policy, and they have stated that these ratios are reasonable under the circumstances, and will not have a negative impact on the labor relations in the Company. In addition, the Remuneration Committee and the Board of Directors have examined the ratio of the variable components and fixed components stipulated in the New Remuneration Policy, and they believe that this ratio creates a reasonable and appropriate incentive system for officers of the Company and takes into account the characteristics of the Company, its business operation and its risk management policy.

In light of the aforementioned, the Remuneration Committee has recommended to approve the New Remuneration Policy, and the Board has approved it.

3.10 The text of the proposed resolution

It is proposed to approve the New Remuneration Policy attached to this report as **Appendix A**, effective as of the date of its approval by the General Meeting.

3.11 The Company's Board of Directors has the authority to approve the New Remuneration Policy despite the objection of the meeting.

It is noted that the Company's Board may be allowed to determine the New Remuneration Policy, even if the General Meeting objects to its approval, as long as the Remuneration Committee and thereafter the Board decide, on the basis of detailed explanations and after holding further discussions regarding the New Remuneration Policy, that the approval of the New Remuneration Policy despite the objection of the General Meeting is in favor of the Company.

4. The approvals required to approve the resolution on the agenda

1. The approval of the Remuneration Committee of the Company, which was given during its meeting dated October 11, 2026.

2. The approval of the Board of Directors of the Company, which was given during its meeting dated October 11, 2026.

3. The approval of the General Meeting of the Shareholders of the Company, which will be convened to discuss the matter on November 23, 2026, as detailed in this report.

5. The Company's representative for handling the report

The Company's representative for handling the report is attorney Itzchak Blau of Firon Law Firm, located at 2 HaShlosha St., Tel Aviv, Tel: 03-7540020, Fax: 03-7540011.

6. The required majority

The required majority for the purpose of approving the resolution on the agenda of the General Meeting, is an ordinary majority of the shareholders of the Company who are attending the meeting in person or via a proxy, and as long as one of the following is fulfilled: (a) counting the votes of the majority at the General Meeting shall include the majority of all the votes of the shareholders who are not controlling shareholders or do not have a personal interest in the approval of the Remuneration Policy, who participate in the vote; in counting all of the votes of the aforesaid shareholders, abstaining votes would not be taken into consideration; (b) The total opposing votes from among the shareholders referred to in sub-clause (a) above, shall not be greater than two percent of the total voting rights in the Company.

Accordingly, the holdings rate of the controlling shareholder of the Company will not provide the controlling shareholder the majority required to decide in relation to the proposed resolution on the agenda.

7. The meeting and voting procedures

a. The quorum and deferred meeting

The quorum for opening the discussion at the General Meeting is two (2) shareholders or more (whose shares have been paid in full), attending the meeting in person or via a proxy or via a voting card, per item, and holding at least twenty five (25%) of the voting rights in the Company.

If half an hour has passed from the time that was scheduled for the meeting and a quorum has not been established, the meeting shall be deferred to the same day and hour in the forthcoming week, or to a different day, hour and place as determined by the Chairman of the meeting, with the agreement of the majority of the holders of the voting rights attending the meeting in person or via a proxy or via a voting card, and voting in the matter of the date of the deferred meeting. The Company shall announce the deferral of

the meeting and the date of the deferred meeting by means of an immediate report. The quorum in the deferred meeting shall be two (2) shareholders attending the meeting in person or via a proxy or via a voting card, per item, and holding at least twenty-five (25%) of the voting rights in the Company.

b. <u>The record date for determining the eligibility of the shareholders to participate and vote at the General Meeting</u>

The record date for determining the eligibility of a shareholder of the Company to participate and vote at the General Meeting, is the end of the trade day on Monday, October 26, 2026 (hereinafter: the "**Record Date**").

If you are an owner of an "American Share", meaning: a Company's share that is not an "Israeli Share", as this term is defined as follows, in order to vote at the meeting, please see the voting instructions detailed in the Voting Card published on the Company's website whose address is: www.tefron.com.

"An Israeli Share"- A Company's share that fulfills one of the following: (a) The share is registered on the Company's Israeli shareholder register (for the purpose of clarity, a Company's share which is registered on the Company's American shareholder register, that is managed by the American Stock Transfer & Trust Company, is not "an Israeli Share"); or (b) The share is registered in favor of the shareholder pursuant to Section 177(1) of the Companies Law, meaning, the share is registered with a member of the Stock Exchange (Tel Aviv Stock Exchange Ltd.) and the aforesaid share is included in the shares registered on the Company's Israeli shareholder register in the name of the Registration Company of the Tel Aviv Stock Exchange Ltd. (hereinafter: "**Unregistered Shareholder**").

c. <u>The manner of voting</u>

The Shareholders are entitled to vote regarding the resolution, which is on the meeting's agenda, in person or via a proxy or via a voting card, as defined in Section 87 to the Law and whose format is attached to this immediate report ("**Voting Card**"). In addition, an Unregistered Shareholder is also entitled to vote via an electronic Voting Card, which will be transferred to the Company through the electronic voting system at the address http://votes.isa.gov.il, which operates according to Article Two of Chapter Seven "B" of the Securities Law, 1968 ("**Electronic Voting**", "**Electronic Voting System**", "**Electronic Voting Card**" and "**Securities Law**", respectively).

d. <u>A proxy for the voting</u>

A shareholder is entitled to appoint a proxy to vote in his place, who is not necessarily a shareholder of the Company. The appointment document regarding the appointment of the proxy must be conducted in accordance with the Company's regulations. The appointment document must be delivered to the Chairman of the meeting or to the Company's offices (to the CFO of the Company, Mr. Gregory Davidson), while making sure the aforementioned appointment document arrives to the Company's offices at least two hours prior to the convening of the meeting. The Chairman of the meeting shall have the authority to receive appointment documents which shall be delivered even after the aforementioned appointed time and till the beginning of the meeting.

e. Proof of ownership

An Unregistered Shareholder shall be entitled to attend the General Meeting only if he provides the Company, prior to the General Meeting, with original proof of ownership from the member of the Stock Exchange with whom his right to the share is registered, regarding his ownership of the Company's shares on the Record Date, in accordance with the form in the Addendum to the Companies Regulations (Proof of Ownership of a Share for Voting at a General Meeting), 2000 ("**Proof of Ownership**") or alternatively by sending the Company a Proof of Ownership through the Electronic Voting System. In regards to this matter, it shall be noted that an electronic message approved in accordance with Section 44k5 of the Securities Law concerning the Electronic Voting System's user data – shall be viewed as a Proof of Ownership for each shareholder included therein.

An Unregistered Shareholder is entitled to receive the Proof of Ownership from the member of the Stock Exchange through whom he holds his shares, at the branch of the member of the Stock Exchange or by mail to his address, paying only the postage fees if he has asked for it. A request in this matter would be given in advance for a specific securities account.

Furthermore, an Unregistered Shareholder may give instructions that his Proof of Ownership shall be delivered to the Company through the Electronic Voting System.

f. Voting in writing via a Voting Card and position statements

A shareholder is entitled to vote regarding the resolution, which is on the meeting's agenda, via a Voting Card. For this purpose, the vote of a shareholder who has voted via a Voting Card shall be considered as if the shareholder was present and participated in the meeting. Voting via a Voting Card, in regard to a shareholder seeking to vote via a Voting Card *in lieu* of participating in the meeting in person or via a proxy, shall be carried out by means of using the second part of the Voting Card which is attached to this report.

The addresses of the websites of the Securities Authority and the Tel Aviv Stock Exchange Ltd. in which you can find the format of the Voting Card and the position statements, within their meaning in Section 88 of the Companies Law, are: the ISA distribution site http://www.magna.isa.gov.il (hereinafter "**the Distribution Site**"); and the website of the Tel Aviv Stock Exchange Ltd. http://maya.tase.co.il. The shareholders are entitled to approach the Company directly and receive from it the Voting Card and the position statements, as they may be.

A Stock Exchange member shall sent via email, without consideration, a link to the Voting Card and position statements on the Distribution Site, to every shareholder who is an Unregistered Shareholder and whose shares are listed with the said Stock Exchange member, unless the shareholder has notified the Stock Exchange member that he is not interested in receiving such a link, as long as the notification has been given in regards to a specific securities account and on a date prior to the Record Date.

The Voting Card must be delivered to the Company's offices (along with the Proof of Ownership) up to 4 hours prior to the time appointed for the convening of the meeting. For this purpose, the date of delivery is the final date on which the Voting Card and the documents required to be attached to it reach the Company's offices.

Furthermore, an Unregistered Shareholder is entitled to deliver the Proof of Ownership through the Electronic Voting System, as detailed in sub-clause e, above.

The last date for delivering the position statements is up to 10 days prior to the convening of the meeting, meaning until November 13, 2026.

A Voting Card that no Proof of Ownership has been attached to it (or, alternatively, the Proof of Ownership has not been delivered through the Electronic Voting System), shall be considered null and void.

g. <u>An Electronic Voting Card</u>

As aforementioned, an Unregistered Shareholder is also entitled to vote through the Electronic Voting System. Voting via an Electronic Voting Card shall be allowed up to six hours prior to the convening of the General Meeting (or until an earlier date which shall be determined by the Securities Authority, provided that it is no more than 12 hours prior to the convening of the meeting) (the "**System Lock Date**"). The Electronic Voting may be changed or canceled until the System Lock Date, and no one shall be able to change it through the system after this date.

h. <u>General provisions</u>

A shareholder may contact the Company's registered office, and once he has proved his identity, he may draw his Voting Card and Proof of Ownership up to 24 hours prior to the date of the convening of the meeting.

It should be noted that in accordance with Section 83(d) of the Companies Law, if a shareholder has voted in more ways than one, the later vote shall be counted while concerning this matter, a vote of a shareholder in person or via a proxy shall be considered as a later vote to the vote submitted through the Electronic Voting System.

i. Reviewing the voting cards

One shareholder or more holding shares at a rate equivalent to five percent or more of the total voting rights in the Company, and a shareholder holding such a percentage out of the total voting rights not held by the Company's controlling shareholder as defined in Section 268 of the Companies Law, is entitled, following the convening of the General Meeting, to review the voting cards and voting documents transferred to the Company via the Electronic Voting Systems, as stipulated in Regulation 10 of the Companies Regulations (Voting in Writing and Position Statements), 2005.

8. Adding an Item to the Agenda

A shareholder, one or more, who holds at least one percent of the voting rights at the General Meeting, may ask the Board, up to 7 days after the date of the notice convening the meeting, to include an item on the agenda of the General Meeting provided that the item is an appropriate item to be discussed at the General Meeting. If the Board deems such an item as appropriate to be discussed at the General Meeting, the Company shall publish an amended report convening the meeting with an amended Voting Card, as necessary, and this no later than seven days after the last date for submitting a shareholder's request for adding an item to the agenda, as stated above.

9. Reviewing the Documents

A copy of this immediate report together with the addendums thereto shall be made available for review at the Company's offices Sunday to Thursday during normal working hours, after prior arrangement by telephone: 04-9900870; and this until the date of the convening of the Meeting, as well as on the Securities Authority's website at the address: www.magna.isa.gov.il.

Respectfully,

Tefron Ltd.
By Mr. Ben Lieberman, CEO
and Mr. Gregory Davidson, CFO

TEFRON LTD

("the Company")

REMUNERATION POLICY FOR THE COMPANY'S OFFICERS

(Hereinafter: "**the Policy"** and/or **"the Remuneration Policy"**)

The definitions and terms in this remuneration policy will have the same meaning as in the Companies Law – 1999 unless defined otherwise in the framework of the Remuneration Policy.

a. **General**

On December 12, 2012 Amendment No. 20 to the Companies Law – 1999 (hereinafter: **"the Amendment"** and **"the Companies Law"**, respectively) came into force which deals with arranging the structure of remuneration for Officers of public companies and bond companies, and sets forth a special process for its approval. In accordance with the Amendment, the Company's Remuneration Committee and Board of Directors adopted this remuneration policy.

The considerations which guided the Company's Remuneration Committee (hereinafter; **"the Remuneration Committee"**) and the Company's Board of Directors (hereinafter: **"the Board of Directors"**) when adopting the policy of promoting the objects of the Company, its work plan and its policy for the long-term; the creation of suitable incentives to Officers in the Company, considering, inter alia, the risks policy of the Company's management; the size of the Company and the nature of its operations, and regarding total terms of service and employment which include variable components – the contribution of the Officer to achieving the Company's targets and enhancing its profits, and all with a long-term view according to the Officer's function.

The Remuneration Policy was prepared noting the nature of the Company as a company operating in the field of industry and technology – the production, marketing and development of textile products.

The principles of the Remuneration Policy were formulated after internal discussions which took place in the Remuneration Committee and Board of Directors while consulting with an external consultant. The principles of the Policy were intended to set a wise, suitable and fair remuneration policy for the Company's Officers, which will ensure that the remuneration of Officers will be compatible with the Company's benefit and its total organizational strategy, while considering the Company's policy of managing risk, and concurrently result in increasing the feeling of identity of Officers with the Company and its operations, increase their satisfaction and motivation, and result in keeping quality Officers in the Company over time.

The indices and the targets set forth in the Remuneration Policy were intended to set a suitably wide framework which will enable the Remuneration Committee, the Board of Directors and Company's CEO, whichever relevant, to set for each Officer a personal remuneration plan or a certain remuneration component, according to circumstances, according to the needs of the Company and which are compatible with the Company's benefit, its employees and shareholders and the total long-term strategy of the Company.

The directives of this Remuneration Policy apply only to the Officers in the Company (as defined by the Companies Law).

The Remuneration Policy is worded in the masculine form for convenience only, but directives will apply both to women and men, without any difference or change.

2. **The ratio between the fixed component and the variable component**

The ratio between the annual cost of the fixed components and the annual cost of variable components to Officers in the Company as determined in the framework of this Remuneration Policy are as follows:

	Rate of fixed component out of total remuneration (%)	**Rate of variable component out of total remuneration (%)**
Chairman of the Board	55% - 100%	0% - 45%
CEO	40% - 100%	0% - 60%
Any Officer who is not the CEO or a Director (**a "Vice President"**)	45% - 100%	0% - 55%

It should be mentioned that the fixed component is likely to reach a rate of 100% in any year in which the Officer is not entitled to bonuses due to not meeting the criteria set for this purpose, and to the extent that no expense will be recorded for options for that year. The Remuneration Committee and the Board of Directors are in the opinion that the above ratios are reasonable in the circumstances and are derived from the Company's performance and meeting its targets.

3. **The ratio between the terms of service and employment of an Officer and the payroll cost of the other Company employees**

3.1 The Company sees considerable importance in the remuneration of Officers for their contribution to the business's success over time while considering fields of responsibility and the considerable duties imposed on them. The Company also believes that maintaining a suitable and reasonable ratio between total remuneration of Officers and that of the other Company employees is important, including contractors' employees. Consequently, when the Remuneration Committee and the Board of Directors examine approval of the terms of service and employment of

Officers in the Company, they will examine, inter alia, also the ratio between the cost of terms of service and employment of Officers whose terms of employment are brought for approval and the average and median cost of the other Company employees, including contractors' employees, and the effect of the ratio on work relations in the Company. In this clause 3 **"cost of payroll"** means every payment for employment including employer's provisions, payment for retirement, vehicle and the expenses for its use, and every other benefit or payment.

3.2 The following is the ratio between the cost of terms of service and employment of Officers whose place of work is in Israel, including contractors' employees who are employed by the Company, to the average median cost of salaries of other employees in the Company whose place of operations is in Israel, based on the existing salary as of the date of approving the Remuneration Policy in the Company's Remuneration Committee and the Board of Directors, and on the assumption that no annual bonuses will be paid:

Rank	**Ratio of average of the other Company employees**	**Ratio of the median salary of the other Company employees**
Chairman of the Board of Directors	~~9.1~~6.7	~~14.6~~8.2
The Company's CEO	~~9.1~~6.7	~~11.6~~8.2
Other Officers	~~6.2~~3.7	~~7.8~~4.5

3.3 The Remuneration Committee and Board of Directors stipulated that the above ratios are reasonable considering the size of the Company, the nature of its operations, the responsibility imposed on each of the Officers in the Company, the mix of manpower employed in it, the number of employees employed and its field of its operations, and determined that these ratios do not detrimentally affect work relations in the Company.

4. **Fixed component**

4.1 Officers who are not Directors and the Chairman of the Board of Directors

4.1.1 In general, the cost of the monthly salary of Officers in the Company will be determined by the Remuneration Committee and the Board of Directors while relating to the education, qualifications, expertise, professional experience and achievement of each of the Officers in the Company and the function of each of the Officers, fields of his responsibility and previous salary agreements signed with him, and all subject to the following.

a. The cost of the monthly salary of the Chairman of the Board of Directors will not exceed 11,000 dollars for at least a 20% position.

b. The cost of the monthly salary of the Company's CEO will not exceed NIS ~~190,000~~206,000 for a 100% position.

In addition, the aggregate annual cost of the Company's CEO, including all components (fixed and variable, including capital variable component) will not exceed NIS 2,880,000~~2,650,000~~.

c. The cost of the monthly salary of a Vice President whose place of work is in Israel, will not exceed NIS ~~120,000~~130,000 for 100% position.

d. The cost of the monthly salary of a Vice President whose place of work is outside Israel, will not exceed 175% of the cost of the monthly salary of a Vice President whose place of work is in Israel (equal in the currency of the place of work to NIS 228,000~~210,000~~), for a 100% position.

The maximum salaries detailed above will be linked to the rate of increase in the consumer price index or to the increase of the representative rate of the US dollar, whichever relevant. The Company will be entitled to link the gross salary of the Officer to the rate of increase in the consumer price index or to the increase of representative rate of the US dollar, whichever relevant.

According to Article 1b3 of the Companies Regulations (Relief in Transactions with Interested Parties) – 2000, an insignificant change in the terms of service and employment of an Officer who reports to the Company's CEO (as mentioned in Section 272(c) of the Companies Law, will be solely approved by the Company's CEO (without any need for approval of the Remuneration Committee) provided that it is in accordance with provisions of this Remunerations Policy.

"Insignificant change in the terms of service and employment" means a change which does not exceed 10% of the remuneration component of the Officer for whom the change was made, on an accumulated basis during the period of this Remuneration Policy.

4.1.2 Social and related benefits: In addition to the monthly salary, the monthly cost of an employee may include social benefits and other related benefits as detailed below, for the Officers:

4.1.2.1 Pension arrangement benefit, work disability and further study fund;

4.1.2.2 Vacation Days – up to a maximum of 23 days a year and not less than that set forth in the Law, including entitlement to accrue leave days;

4.1.2.3 Recuperation allowance – up to a maximum of 10 days per year and not less than that set forth in the Law;

4.1.2.4 Sick days – up to a maximum of 90 days a year and not less than that set forth in the Law, including entitlement to accrue sick days but without entitlement to redeem them. Officers will be entitled to sick pay from the first day of absence due to illness up to realizing the total accrued sick days;

4.1.2.5 An annual medical examination which will be done to Officers in the Company according to the Company's procedures;

4.1.2.6 Providing a Company vehicle or alternatively paying for vehicle expenses, including grossing up the value of recording the benefit for tax purposes;

4.1.2.7 Enterprise recreations and social activities;

4.1.2.8 Other benefits as is customary among equivalent Officers of their position (such as telephone, laptop computer, connection to the internet, subscription to a daily newspaper, financing participation in professional conferences, professional literature, insurance of professional liability, including grossing up the value of recording the benefit for tax purposes, and financing further studies, including bearing the cost of academic studies).

4.2 Reimbursement of expenses

In addition all Officers in the Company will be entitled to reimbursement of reasonable expenses which will actually be spent in the context of their function, including expenses for participating in meetings, travel expenses abroad, board and lodging and hosting expenses, against presentation of receipts, and all in accordance with the Company's procedures. The Company will be entitled to pay the expenses of Officers in advance or post factum. The reimbursement of expenses in the event of travel abroad will be made in accordance with the Company's procedures.

4.3 Directors

4.3.1 Subject to any law, the Company may pay a director in the Company the maximum remuneration (including for an expert director), according to the level of capital of the Company (as

will exist from time to time), set forth in the Companies Regulations (Rules regarding Remuneration and Expenses of an External Director) – 2000 (hereinafter: **"Remuneration of Directors Regulations"**).

4.3.2 Reimbursement of expenses: External directors and independent directors in the Company will be entitled to reimbursement of expenses according to that set forth in the Remuneration of Directors Regulations. The Company will be entitled to reimburse the other directors in the Company for reasonable expenses that they will actually spend in performing their functions, including expenses for participating in meetings, expenses of travel and staying abroad, board and lodging expenses and hosting expenses, and this against presenting receipts, all in accordance with the Company's procedures. The Company will be entitled to pay the expenses of directors in advance or post factum.

5. Variable component (bonuses)

5.1 Annual bonus

The Company will be entitled to grant an Officer (excluding a Director) an annual bonus while relating to the education, qualifications, expertise, professional experience and achievements of the Officer, as mentioned, as well as his position, fields of responsibility and previous salary agreements signed with him, all in accordance with the principles detailed below:

5.1.1 Threshold conditions – the accumulative threshold conditions for distributing a bonus are (a) meeting the EBITDA target on a consolidated basis and/or of an operating segment as to Officers reporting to the CEO whose activities are in a specific operating segment, as defined each year by the Remunerations Committee and Board of Directors; and (b) the existence of annual profit (after taxes on income) after payment of bonuses in the Company's consolidated financial statements.

Despite the above, the Board of Directors shall have the right at any given year, after receiving the approval of the Remuneration Committee, and pursuant to the recommendation of the CEO, to determine that with respect to one certain Officer reporting to the CEO, whose contribution to enhancing the Company's results in the relevant year, according to the Board of Director's exclusive discretion, was the most valuable, threshold (a) only shall apply for distributing a bonus, without threshold (b).

5.1.2 Criteria for calculating the bonus

5.1.2.1 Targets will be set for every Officer which will be approved by the Remuneration Committee and the Board of Directors. These targets will derive, inter alia, from the Company's work plan, and will be divided into three categories of measurement as follows, each of which will be given proportional weight, as detailed below:

a. The Company's targets (consolidated EBITDA target and/or of an operating segment as to Officers reporting to the CEO whose activities are in a specific operating segment) – the weight given to this category is between 45% -75%.

b. Personal targets (such as sales target and balances of cash target) – the weight given to this category is between 15% - 45%. The targets according to this sub clause above may include, inter alia, long-term targets.

c. Evaluation of performance by the Company's CEO (and regarding the Company's CEO – by the Board of Directors). The evaluation will relate, inter alia, to criteria which are not financial. The CEO's evaluation will relate, inter alia, to the long-term contribution of the Officer and his long-term performance – the weight given to this category is 0% - 40%.

It should be mentioned that regarding the Company's CEO, the Remuneration Committee and the Board of Directors may set Company targets only (100%).

It should be clarified that the weight given to each of the above three categories will stand at 100%.

Details of the targets in all categories measured and the proportional weight of each of the measured categories will be decided by the Remuneration Committee and the Board of Directors once a year for every Officer separately, according to circumstances.

5.1.2.2 Notwithstanding the aforesaid, the Company's CEO may, with the approval of the Remuneration Committee and the Board of Directors, approve payment of an annual bonus to Officers reporting to the CEO, per his discretion, according to criteria which cannot be measured, and this instead of or in addition to the bonus calculated according to the criteria mentioned above, provided that the total annual bonus for each of the Officers will not exceed the maximum annual bonus stated in clause 5.1.5 below.

5.1.2.3 The Remuneration Committee and the Board of Directors may determine that in the framework of the annual bonus granted to the Company's CEO a bonus of up to three monthly salaries (gross without social and related benefits), according to criteria which cannot be measured, considering his contribution to the Company, and this instead of or in addition to the bonus calculated according to the criteria mentioned above, provided that the total annual bonus to the Company's CEO will not exceed the maximum annual bonus stated in clause 5.1.5 below.

In the event that in a given year the CEO shall be paid both a bonus according to criteria which cannot be measured as stipulated in this clause 5.1.2.3 and a special bonus as stipulated in Section 5.2 herein, the aggregate amount of both bonuses shall not exceed three monthly salaries (gross without social and related benefits) in such year.

5.1.3 Method of calculating the bonus – Each Officer will be given a personal annual bonus being the product of the number of salaries to be determined in advance for every Officer (hereinafter: **"the object bonus"**) by a coefficient which will reflect the method of achieving the personal program's target set for the Officer. This coefficient can be lower than 1 (if the Officer achieved only part of the personal program's target) and can be higher than 1 (if the performance of the Officer actually exceeded those set for him as a target), provided that the value of the coefficient will not exceed 1.2. The bonus will be calculated for every component separately and the total bonuses which will be calculated for all the components will be the bonus calculated for every Officer. Calculating the value of each of the coefficients for each of the components of the personal plan will be carried out in the following way: should the rate of meeting the target be less than 80%, the value of the coefficient will be equal to 0; should the rate of meeting the targets be in a range between 80% - 100% the value of the coefficient will range between 0.7 (or a lower rate as decided by the Company's Remuneration Committee and the Board of Directors) (for 80%) to 1 (for 100%), when within this range the coefficient will be calculated linearly; should the rate of meeting the target be in the range 100.01% and 120% the value of the coefficient will range between 1 to 1.2, where within this range the coefficient will be calculated linearly.

5.1.4 Calculation of a bonus for a partial period of employment – in the event in which the work relations between an Officer and the Company will start or end during a calendar year, the amount of the annual bonus will be calculated according to this

Remuneration Policy, subject to the threshold conditions stated in it, while the amount of the annual bonus will be amended and calculated proportionally according to the period of employment of an Officer for part of the year. It should be mentioned that if a balance sheet target is defined, the target will relate to the last balance sheet published at the end of the relevant year (in the event of the start of service during that year), or immediately prior to the end of employee - employer relations (in the event of termination of employee - employer relations). Payment of this bonus, will be carried out according to this Policy and not at the end of employee - employer relations. The aforesaid does not derogate from the provisions of clause 5.4 below regarding the possibility to reduce the bonus, fully or partly, at the discretion of the Board of Directors.

5.1.5 Maximum bonus – the amount of the annual bonus for the Company's CEO and a Vice President whose place of work is outside Israel will not exceed 7.2 monthly salaries (gross without social and related benefits and in case of payment of management fees 7.2 payments of management fees) and for a Vice President an amount of 6 monthly salaries (gross without social and related benefits).

5.1.6 Timing of payment of the bonus – the bonus will be paid to the Officers for every calendar year not later than the date of payment of the second salary after the date of approving the Company's annual financial statements for that year.

5.2 Special bonus

5.2.1 In addition to the annual bonus the Company will be entitled to pay an Officer (excluding a Director) a special bonus for a special extraordinary contribution by the Officer during the Company's business, such as: due to special effort, raising capital, merger, acquisition or sale of business operations, etc.

5.2.2 A special bonus can be paid to an Officer twice only during the period that this Remuneration Policy is in force.

5.2.3 The amount of the special bonus will not exceed 3 monthly salaries (or 3 monthly payments of management fees).

5.3 **Settling of accounts for Officers due to an error in the Company's financial statements**

5.3.1 In the event that the consolidated audited and/or reviewed financial statements of the Company for a year or for any interim period will be corrected in such a way that if the amount of the bonus that was due to the Officer for that year or for the interim period, whichever relevant, was calculated according to the

amended real data, the Officer would receive a different bonus or not receive a bonus at all, the Company will pay the Officer, or the Officer will repay to the Company, whichever relevant, the difference between the amount of the bonus received and that he was entitled to receive, if any, due to this correction of the financial statements (while weighting differences should any exist, in payments and tax liabilities applying to the Officer and/or paid by him).

5.3.2 The obligation of the Officer to repay amounts will not apply and Company will not pay the Officer any amount, as mentioned in clause 5.3.1 above, should the Remuneration Committee and the Board of Directors determine in special circumstances that the repayment of the bonus (or partial repayment) is impossible or inapplicable from a commercial and/or legal aspect. The aforesaid in clause 5.3.2 above will not apply in the event of an obligation of repayment by an Officer in an amount exceeding 10% of the cost of the said Officer's salary and relating to an Officer who is among the controlling shareholders of the Company, but subject to the provisions of any law.

5.4 **A reduction in the amounts of bonus at the discretion of the Company's Board of Directors**

In every year the extent of entitlement to a bonus to each of the Officers will be calculated as mentioned above. The Board of Directors will be entitled to reduce the annual bonus of an Officer, and this taking into account concrete circumstances, to the extent that they do not properly reflect, in the opinion of the Board of Directors, in the extent of meeting the criteria for calculating the annual bonus.

6. **Capital variable component**

With a view to encourage the Officers in the Company in the long-term, the Company will be entitled to adopt, from time to time, option plans for purchasing the Company's shares, including by way of realizing the value of the benefit inherent in it ("Cashless" options) (hereinafter jointly: **"options"**), all according to the conditions detailed below. The Company will be entitled to grant the options by virtue of these plans to Officers from time to time based, inter alia, on the education, qualifications, expertise, professional experience, achievements, function and fields of responsibility of the relevant Officer.

6.1 Tax track – subject to the provisions of any law, the Company will be entitled to determine, at its discretion, the tax track according to which the options will be granted.

6.2 Level of maximum dilution – during the period of this Remuneration Policy the maximum rate of dilution as a result of capital remuneration granted to Officers in the Company will not exceed 15% of the Company's issued share capital, on a fully diluted basis.

6.3 Fair value – the value of the benefit included in the options at the time of their granting that will be granted to every Officer will not exceed 30 basic gross salaries of the relevant Officer at that time. It should be clarified that in a linear calculation spread over the period of formulating entitlement (in annual terms) the value of the benefit will not exceed 10 basic gross salaries for each year.

6.4 Exercise price – subject to formulating entitlement to the relevant option, the exercise price of every option will not be less than the average share prices of the Company on the Stock Exchange on the 15 trading days prior to the date of the decision of the Board of Directors regarding the granting, plus a premium of 5%.

6.5 Period of formulating entitlement – the minimum period of formulating entitlement of an Officer to options will be spread over 3 years, in such a way that a third of the options can be realized each year from the date of their granting. In the event of termination of employee - employer relations or the termination of the engagement, during 12 months after changing control in the Company, the vesting date of all the options will be accelerated (those which have not yet vested) and they may be exercised immediately (acceleration).

6.6 Exercise period – options that have vested, according to clause 6.4 above, may be exercised within a period up to (and including) 5 years from the end of every vesting period.

6.7 Adjustments – the exercise price and/or the number of shares exercised will be subject to acceptable adjustments, which include adjustment for dividends, bonus shares, changes in capital (consolidation, split, etc.), the issue of rights and a changes in the Company's structure (such as: split, merger, etc.) and so on.

6.8 Termination of employee - employer relations / engagement: when adopting the options plan for purchasing the Company's shares, the plan will include provisions relating to terms which will apply in the event of termination of employment relations or engagement between the Officer and the Company (or a related company), including in the event of termination of employment relations or engagement as a result of the death or incapacity of the Officer (heaven forbid).

In general, in the event of termination of an engagement with the Company (excluding in the event of termination of employee - employer relations without the right to severance pay or the termination of an engagement under circumstances which are connected with a breach of trust) the Officer will be entitled to exercise the options that have vested as of the date of termination of employment, and this up to the end of a period of 180 days from the date of termination of engagement with the Company, or at the end of the option period, whichever earlier.

In general, in the event of retirement due to death or incapacity, the Board of Directors will have the authority to accelerate the entitlement of the Officer to exercise the next batch of options granted to him which have not yet vested (acceleration) and/or to extend the date of expiry of all the options given which can be exercised on the date of retirement, for an additional period of up to 6 months (total up to 12 months from the date of retirement), or up to the end of the option period, whichever earlier.

For details regarding acceleration of the vesting of options in the event of termination of employee - employer relations, or termination of an engagement, during 12 months after change of control, see clause 6.5 above.

7. End of tenure of an Officer

Every Officer and employee in the Company will have terms of retirement or specific compensation which will take into account the terms of the employment of the Officer on the date of his retirement, the seniority of the Officer in the Company, his contribution to it, and the circumstances of his retirement. Regarding new Officers and employees, their terms will be determined according to what is customary in the Company and in similar circumstances.

7.1 Severance pay – the Company will be entitled to determine, that in every case of termination of employee - employer relations (except for circumstances of dismissal of an Officer under circumstances which in the opinion of the Remuneration Committee and the Board of Directors give the Company (or a related company) the right to dismiss him without payment of severance pay in accordance with the Law) the Officer will be paid a payment for severance pay, over and above the amount of severance pay accumulated in the Officer's pension plan, in such a way that the total severance pay to be paid to the Officer (in the framework of the pension plan, plus the said payment), will not exceed rate of severance pay determined in section 12a to the Severance Pay Law – 1963.

7.2 Notice – subject to the provisions of any law, the Remuneration Committee and the Board of Directors will be entitled to grant an Officer a notice as follows: Chairman of the Board – up to 6 months; CEO – up to 6 month; Vice President – up to 4 months. The Remuneration Committee and the Board of Directors will be entitled, subject to the provisions of the Law, to waive the employment of the Officer in the Company during the period of notice, and to pay the consideration due to him for the period of notice, plus the value of the related expenses, and this also in the event of immediate termination of employment.

The Company's Remuneration Committee and the Board of Directors will be entitled to approve for the Officer that during the period of notice the Officer will be entitled to bonuses for that period, and he will continue to accrue the period of formulating entitlement for options.

7.3 Retirement grant – the Company will be entitled to pay an Officer (excluding a Director) a onetime retirement grant according to the decision of the Remuneration Committee and the Board of Directors, while relating to the following parameters: Period of employment and terms of employment of the Officer, the Company's performance during the said period and the contribution of the Officer to achieving the Company's targets and to improve profits, and the circumstances of the retirement. The retirement grant will be given to the Officer with seniority of at least 2 years in the Company and its amount will not exceed the cost of employment to the Company of the Officer for a period of 6 months.

8. **Employment as a contractor or through a management company**

In the event in which an Officer works through a management company, the maximum cost of his employment will be calculated according to the maximum cost to an employee in the position, and the principles and policy of remuneration will apply *mutatis mutandis*.

9. **Insurance, exemption and indemnity**

The Company will grant Officers an undertaking of indemnity, liability insurance of Directors and Officers (including a run-off type of insurance policies). In addition the Company will be entitled to grant Officers an exemption from liability, and all subject to the provisions of the Companies Law and the Company's Articles[1].

Without derogating from the generality of the aforesaid, the Company will engage in transactions for the purchase of Directors and Officers liability insurance, including in the framework of their functions as Directors and Officers of subsidiaries of the Company, as they will serve from time to time, for periods of up to 3 years from the date of approval of this Remuneration Policy according to the following:

9.1 Identity of the insurer, the amount of cover and the annual insurance premium will be determined by the Remuneration Committee and the Board of Directors, which will decide whether the amounts are suitable in the circumstances;

9.2 Maximum premium: the annual premium paid by the Company will be in accordance with market conditions at the time of purchasing the policy and its cost shall not be material to the Company;

9.3 Maximum liability: the maximum annual liability (in the Company and subsidiaries of the Company in total) will not exceed 30 million US dollars per event and for the period;

[1] The exemption from liability, if approved in the Company, shall not apply to any decision or transaction in which a controlling shareholder of the Company or a certain officer of the Company (including a different officer from the officer to whom the exemption is granted), has a personal interest.

9.4 The Remuneration Committee and the Board of Directors will each year confirm that the insurance policy purchased is in accordance with the terms set above.

10. **Miscellaneous**

10.1 Changes are possible in the identity of Officers from year to year and managers who served as Officers in a certain year and the terms of service granted to them subject to this Remuneration Policy will not necessary continue serving as Officers in the following years, and the terms of their service and employment will not be subject to this Policy, and vice versa. In addition, the Company will be entitled to change the terms of service and employment of any Officer at any time and it will have no obligation to apply to that Officer those conditions of service and employment which applied to him in previous years.

10.2 This document does not give Officers, to whom this Remuneration Policy applies and/or to any other third party, any right to receive remuneration of any type whatsoever.

10.3 It should be clarified that the aforesaid in this Policy does not derogate from the provisions of the Companies Law and/or the Company's Articles relating to the method of approving the Company's engagement with any Officer in connection with the terms of his service and employment.

10.4 It should be emphasized that the aforesaid in the Remuneration Policy does not derogate from existing agreements between the Company and its Officers prior to approval of this Remuneration Policy.

10.5 The Board of Directors will examine from time to time the Remuneration Policy and the need to adjust it if there was a significant change in circumstances that existed at the time it was issued or for any other reasons.