

July 4, 2017

Safe-T Group Ltd.

(hereafter – “the Company”)

To
Israel Securities Authority
www.magna.isa.gov.il

To
Tel Aviv Stock Exchange Ltd.
www.maya.tase.co.il

Re: Immediate Report on the Convening of an Annual and Special General Meeting of the Company's Shareholders

In accordance with the Companies Law, 1999 (hereafter - "**Companies Law**"), the Securities Law, 1968 (hereafter – "**the Securities Law**"), the Securities Regulations (Periodic and Immediate Reports), 1970 (hereafter - "**Reports Regulations**"), the Securities Regulation (Private Offering of Securities in a Listed Company), 2000 (hereafter – "**Private Offering Regulations**") and the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in Public Company), 2000, notice is hereby given of the publication of an immediate report and an Annual and Special General Meeting of the Shareholders of the Company (hereafter – "**the Immediate Report**" and "**the General Meeting**", respectively) to be held on Tuesday, August 8, 2017 at 16:00 o'clock at the Company's offices at 8 Abba Even St., Herzliya, Entrance A, Floor 1.

1. Items on the agenda of the general meeting and summary of the suggested resolutions:

- 1.1 **Discussion of the Company's periodic report for the year 2016** – the Company's periodic report for the year 2016 shall be put forward for discussion. The periodic report was published on March 30, 2016 (reference number: 2017-01-028717) and it includes a chapter providing description of the corporation's business, directors report on the state of Company's affairs, Company's audited financial statements, a chapter on additional information regarding the corporation and executive declarations pursuant to Regulation 9b(d)(1) and (2) to the Reports Regulations (hereafter – "**the Company's periodic report for the year 2016**").
- 1.2 **Reappointment of the Company's independent auditor and authorization of the Company's Board of Directors to determine the auditor's fees** – it is suggested to reappoint Kesselman & Kesselman CPAs as the Company's independent auditor and to authorize the Company's Board of Directors to determine the auditor's fees.
- 1.3 **The re-appointment of directors currently serving in the Company, who are not external directors** – it is suggested to reappoint all Company directors, who are not external directors, as follows: Mr. Amir Mizhar, Mr. Shahar Daniel, Mr. Yuval Illuz, Mr. Lior Vider and Mr. Eylon Jeda, to an additional term of service as from the date of approval of reappointment thereof by the general meeting, which is convened pursuant to this immediate report. The said candidates for service as Company directors have provided the Company with declarations in accordance with Section 224b to the Companies Law, copies of which are attached as **Appendix A** to this immediate report. For details about the said directors (except for Mr. Lior Vider), see Regulation 26 in Chapter D to the Company's periodic report for the year 2016. For details about Mr. Lior Vider in accordance with Regulation 26 to the Reports Regulations, see **Appendix B** to this immediate report. In consideration for their service as Company directors, Mr. Lior Vider and Mr. Eylon Jeda shall be entitled to a payment equal to the minimal amount set in the Companies Regulations (Rules Regarding Remuneration and Expenses to External Director), 2000 (hereafter – "**the remuneration regulations**") and in accordance with the category into which the Company will be classified from time to time.

For details regarding the remuneration of Mr. Amir Mizhar as the Active Chairman of the Board of Directors and of Mr. Yuval Illuz as an active director, as approved by the general meeting of the Company's shareholders on May 8, 2016, see notice to convene the general meeting published by the Company on May 3, 2016 (reference number: 2016-01-058504) ("**notice of convening the annual general meeting 2015**"), which is incorporated in this report by way of reference. For details regarding the remuneration of Mr. Shahar Daniel as the Company's CEO as approved by the general meeting of the Company's shareholders on May 8, 2016, see

the notice of convening the annual general meeting 2015; also see a suggested update of Mr. Daniel's remuneration in resolution 1.4 below included in the agenda of the general meeting, which is convened pursuant to this immediate report. To remove any doubt, Mr. Shahar Daniel shall not be entitled to additional remuneration for his service as a Company director in excess of the amount paid to him as the Company's CEO.

Furthermore, all directors, the reappointment of which is suggested by the Company, shall be entitled to exemption and indemnification letters and liability insurance of directors and office holders all in accordance with the Company's normal practice applicable to its directors and office holders. For details, see the notice of convening the annual general meeting 2015 and the suggested amendment to the Company's remuneration policy, as described in resolution no. 1.5 below.

1.4 Approval of the remuneration to Mr. Shahar Daniel, the Company's CEO

It is hereby suggested that the remuneration payable to Mr. Shahar Daniel – the Company's CEO – shall be amended such that he will be entitled to a personal leased car as from the date of approval of the resolution by the general meeting of the Company's shareholders, which is convened pursuant to this immediate report. It is also suggested that Mr. Daniel is awarded 100,000 non-tradable Company options, all as described below. All other terms of remuneration of Mr. Daniel shall remain unchanged. For details about all other terms of remuneration of Mr. Daniel, see the notice of convening the annual general meeting 2015.

1.4.1 Leased car to Mr. Daniel

It is hereby suggested that the terms of remuneration of Mr. Shahar Daniel – Company's CEO and Director – shall be updated, such that in addition to all other terms of remuneration, Mr. Daniel shall be entitled to a personal leased car at a total cost of up to 3,500 ILS + VAT and other vehicle expenses; it is suggested that the taxable value of the leased car will be grossed up. For details regarding the approval of this update in terms of remuneration by the Company's Remuneration Committee and Company's Board of Directors in respect of the period from March 29, 2017 through the date of the said update by the general meeting, which is convened pursuant to this immediate report, see immediate report published by the Company on March 29, 2017 (reference number: 2017-01-027352).

Arguments of the Remuneration Committee and Board of Directors for approval of entitlement to leased car:

- a. The Remuneration Committee and Board of Directors are of the opinion that adding the entitlement to a leased car to all other terms of remuneration of Mr. Daniel is reasonable and acceptable under the circumstances, and is in line with the principles of the Company's remuneration policy.
- b. The Remuneration Committee is of the opinion that the Company will benefit from giving a leased car to Mr. Daniel, since his job as the Company's CEO includes, among other things, traveling to business meetings, including meetings with clients, investors, etc.
- c. The Remuneration Committee and Board of Directors assessed the remuneration offered to Mr. Daniel, taking into account, among other things, his role, experience, scope of work and responsibilities, his expected contribution to the Company's business and its profitability and reached the conclusion that giving a leased car to Mr. Daniel is reasonable and does not exceed the general practice applied to office holders of similar roles, positions and skills.
- d. The Remuneration Committee and Board of Directors assessed all remuneration terms of Mr. Daniel, including the leased car, taking into account, among other things, remuneration terms of comparable companies in the market, and reached the conclusion that Mr. Daniel's remuneration is in line with the general standard applied to office holders serving in similar positions in companies, which operate in

the Company's area of activity, or in companies whose scope of activity is similar to that of the Company.

- e. The Remuneration Committee and Board of Directors are of the opinion that the Company will benefit from giving a leased car to Mr. Daniel and that this will not have a material effect on the Company's profitability, assets or liabilities.
- f. In view of the above, the Remuneration Committee and Board of Directors of the Company believe that the terms of employment of Mr. Daniel, including the leased car, are fair, acceptable and reasonable under the circumstances and properly reflect the Company's best interest.

1.4.2 Award of non-tradable options

On March 23, 2017 and March 29, 2017, the Company's Remuneration Committee and Board of Directors (respectively) approved the allocation to Mr. Daniel – without consideration - of 100,000 non-tradable options of the Company (registered in name) that are exercisable – assuming all options will be exercised - into 100,000 Company shares of no par value. This award was approved subject to approval of the General Meeting of the Company's shareholders.

The allocation will be made pursuant to an outline plan of options to employees, which was issued by the Company on September 18, 2016, as amended on November 17, 2016 (reference no.: 2016-01-079611) and the Securities Regulations (Details of Outline of Securities Offering to Employees), 2000.

For details about the suggested allocation of options to Mr. Daniel, including the details relating to such an allocation in accordance with the Private Offering Regulations, for details pursuant to the Sixth Addendum to the Reports Regulations and for information about the Remuneration Committee and Board of Directors' explanations as to this award, see the Company's immediate report of May 4, 2017 (reference number: 2017-01-035932), which is incorporated in this report by way of reference.

- 1.5 Approval of policy relating to service and employment terms of the Company's office holders** - on May 8, 2016, the general meeting of the Company's shareholders approved the adoption of a policy relating to service and employment terms of the Company's office holders (hereafter – **“the original remuneration policy”**), pursuant to the provisions of Section 267a to the Companies Law. Further to the recommendation of the Remuneration Committee as to the adoption of the remuneration policy of July 3 2017, which is put forward to the approval of the general meeting, which is convened pursuant to this immediate report, and further to the approval of the said remuneration policy by the Company's Board of Directors on July 3, 2017, it is hereby suggested that the general meeting approves an updated remuneration policy, whose wording is attached as **Appendix C** to this immediate report (hereafter – **“the updated remuneration policy”**). Subject to the approval of the general meeting, which is convened pursuant to this immediate report, the updated remuneration policy will become effective for a period of up to three years from the date of approval thereof by the general meeting, which is convened pursuant to this immediate report.

Note that if the general meeting, which is convened pursuant to this immediate report, does not approve the updated remuneration policy, then the Company's existing remuneration policy will continue to apply until three years have elapsed since the date of approval thereof.

1.5.1 Listed below are the main changes made to the original remuneration policy:

- a. **Discretionary bonuses** – the remuneration policy was updated in accordance with the amendments, which were recently made to the Companies Law, as follows:
 - (a) Under the updated remuneration policy, an immaterial portion of the annual bonus that may be awarded to the CEO and to active directors in the Company shall be a discretionary bonus. For that purpose, it was determined in the updated remuneration policy that an “immaterial portion” of the annual bonus means the higher of (1) total of 3 monthly (gross) salaries, or (2) 25% of the variable components

of the actual remuneration (bonus and share-based payments); this replaces the provision included in the original remuneration policy whereby the discretionary bonus may constitute up to 20% of the total annual bonus payable to all office holders in the Company); (b) the Remuneration Committee and Board of Directors were authorized to approve the award of an annual discretionary bonus to the office holders who report to the Company's CEO, up to the amount of the annual bonus ceiling set in the remuneration policy. The Remuneration Committee and Board of Directors were also authorized to approve the award of a discretionary bonus to the Company's CEO and to an active director at an amount equal to up to 3 salaries, if the discretionary bonus paid to the CEO or the active director (as applicable) equals the total amount of annual bonus paid in that year.

- b. Annual bonus based on measurable targets** – (a) pursuant to a legal position that was recently published by the Securities Authority, the remuneration policy includes provisions, whereby the Remuneration Committee and Board of Directors alone are allowed to determine the criteria for payment of annual bonus based on measurable targets to active directors and to office holders, who are the controlling shareholder of the company or relatives thereof; (b) the updated remuneration policy includes a provision whereby when calculating the entitlement to annual bonus based on measurable targets on the basis of financial statements data (should such targets be set), the Board of Directors or the Remuneration Committee will be authorized to neutralize the effect of “one-off events”, or alternatively to decide that such events should not be neutralized in a certain year.
- c. Annual bonus ceiling** – the amounts of the annual bonus ceiling were updated in the remuneration policy with regard to annual bonuses payable to Company's office holders – the CEO and the Active Chairman of the Board of Directors.
- d. Basic salary** – the ceilings of the basic salaries of Company's office holders were updated as part of the updated remuneration policy.
- e. Retirement grants** – the updated remuneration policy added the option to award retirement grants to Company's office holders.
- f. Equity-based remuneration** - the updated remuneration policy added the option to award a share-based payment to the Active Chairman of the Board of Directors of the Company.
- g. Immaterial change to the service and employment terms of office holders who report to the CEO** – pursuant to changes made to the laws applicable to those matters, the updated remuneration policy allows: (a) to the Company's CEO to approve alone immaterial changes in the service and employment terms of office holders, who report to him, provided that the service and employment terms of those office holders comply with the provisions of the Company's remuneration policy; (b) to the Company's Remuneration Committee alone to approve immaterial changes in the service terms of the Company's CEO, provided that the change is immaterial and that it complies with the provisions of the Company's remuneration policy. In that respect, pursuant to the remuneration policy, an “immaterial change” is a change that does not exceed 10% of the total overall annual cost of remuneration of the office holder (on an aggregate basis).
- h. Liability insurance of directors and office holders** – the original remuneration policy allowed the Company to purchase, from time to time, an insurance policy covering liabilities of directors and office holders, subject to the approval of the Remuneration Committee alone (and the Board of Directors – as required by law), provided that the insurance policy complies with the conditions set in the remuneration policy. The updated remuneration policy extended the maximal amount of coverage and increased the maximal premium that are set in the remuneration policy.

1.5.2 The manner of implementation of the original remuneration policy:

- a. The ratio between the basic salary ceiling set in the original remuneration policy and the basic salary that was actually paid to the CEO and the Active Chairman of the Board of Directors in 2016 is 1.125:1 and 1.136:1, respectively.
- b. The ratio between the ceiling of the value of the share-based payment on the date of award as set in the original remuneration policy and the ceiling of the value of the share-based payment actually awarded to the Company's CEO in 2016 is 2.17:1. The Chairman of the Board of Directors was not entitled to share-based payment under the provisions of the original remuneration policy and therefore he was not awarded such share-based payment in 2016.

1.5.3 Agreements that do not comply with the provisions of the remuneration policy

On February 2, 2017, the General Meeting of the Company's shareholders approved the Company's engagement with Mr. Eylon Jeda in an agreement for the recruitment of investors to the Company. This approval was granted after the agreement was approved by the Company's Remuneration Committee and Board of Directors); under the agreement, which is not in line with the provisions of the original remuneration policy, Mr. Jeda – who is a Company director – shall be entitled to a 5% commission + VAT out of an equity investment in the Company by investors, who will be identified by Mr. Jeda, where such investment is carried out (if it is carried out) within 12 months from the date of signing the agreement. For further details, see the notice convening the General Meeting of the Company's shareholders, which was published by the Company on December 29, 2016 (reference no: 2016-01-093669).

1.5.4 Approval of the updated remuneration policy

- a. On a meeting held on July 3, 2017, the Remuneration Committee recommended unanimously on the approval of the updated remuneration policy. The said meeting of the remuneration committee was attended by all committee members: Ms. Vered Raz-Avayo, Mr. Yehuda Halfon and Mr. Lior Vider.
- b. On a meeting held on July 3, 2017, the Company's Board of Directors approved unanimously the updated remuneration policy. The said meeting of the Board of Directors was attended by the following members: Mr. SHahar Daniel, Mr. Amir Mizhar, Mr. Eylon Jeda, Ms. Vered Raz-Avayo, Mr. Yehuda Halfon and Mr. Lior Vider.

1.5.5 Arguments of the Remuneration Committee and Board of Directors for approval of the updated remuneration policy:

- a. The Remuneration Committee and Board of Directors are of the opinion that the updated remuneration policy will enable the Company to retain essential human capital that will contribute to the promotion of the Company's goals, its work plans and its policy in the long-term.
- b. The updated remuneration policy was prepared bearing in mind the contribution of the office holder to the maximization of the Company's profits in the long-term, all with the aim of encouraging the office holder to excel in his/her job and areas of responsibility.
- c. For the purpose of updating the remuneration policy, members of the Remuneration Committee and Board of Directors were presented with a review, which compared and analyzed the overall level of remuneration of Company's office holders with overall remuneration levels of office holders holding similar positions in comparable companies. The group of companies that was compared with the Company

comprised companies, which are similar to the Company in terms of size, area of activity, scope of activities and/or market value.

- d. The remuneration policy was updated bearing in mind the various characteristics of the roles of each of the Company's office holders, including with regard to the requirements of the role and the scope of responsibility of each of the office holders.
- e. The remuneration policy was updated, among other things, based on the Company's wish to incentivize its office holders, improve their performance and meet Company's targets. The changes made to the remuneration policy also reflect the need to recruit high quality professionals to managerial positions in the Company and the need to retain the existing office holders of the Company in order to maintain its stability.
- f. The service and employment terms of office holders as reflected in the updated compensation policy, give the Company's competent organs the flexibility they need to adjust the service and employment terms of office holders to changing circumstances, while taking into account the managerial responsibility of different Company office holders.
- g. The Company's Remuneration Committee and Board of Directors are of the opinion that the amendments made to the remuneration policy properly reflect the Company's needs and offer proper incentives to its office holders, in line with the scope and nature of the Company's activities.
- h. The original remuneration policy was updated in accordance with legislative changes that came into effect since the adoption of the original remuneration policy and in accordance with the recently published position of the Securities Authority.
- i. As part of the approval of the updated remuneration policy, the Company's Remuneration Committee and Board of Directors assessed, among other things, the ratio between the overall annual remuneration of Company's office holders and the overall annual average and median remuneration of all other Company employees (excluding office holders). As of the date of publication of this immediate report, the ratio between the cost of terms of service and employment of Company's office holders ¹ and the average and median overall annual cost of payroll² of all other Company employees (on a full-time basis) is 1.68:1 and 1.85:1, respectively. In the opinion of the Company's Remuneration Committee and Board of Directors, the said ratio is reasonable and appropriate and does not have an adverse effect on work relations in the Company, taking into account the nature of the Company, its size, the manpower mix employed therein, its area of activity and the areas of responsibility of each office holder.
- j. In light of the above, the Company's Remuneration Committee and Board of Directors are of the opinion that the updated remuneration policy is in line with the following principles: (a) promoting the Company's objectives and policy, including in the long-term; (2) creating appropriate incentives to Company's office holders, bearing in mind, among other things, the Company's risk management policy; (c) adjusting the composition of the remuneration package to the size of the Company and the nature of its activities; and (d) creating appropriate incentives to Company's office holders that will reward them – based on the remuneration policy - in accordance with their contribution for the development of the Company's business, the promotion of its targets and the maximization of profits in the short and long-term. Accordingly. The Company's Remuneration Committee and Board of Directors believe that the updated remuneration policy is in the Company's best interest; it is compliant with the provisions of the Companies Law and it is fair and reasonable.

¹ Cost of terms of service and employment of Company office holders for the purpose of this analysis includes the existing remuneration of the office holders and an amount that reflects the annual bonus ceiling that is set by the updated remuneration policy.

² "Cost of payroll" – basic salary + benefits in terms of cost to the employer.

2. Convening the General Meeting

2.1 Date of meeting – the general meeting of the Company's shareholders shall convene on Tuesday, August 8 2017, at 16:00 o'clock at the Company's offices, 8 Abba Even St., Herzliya, Entrance A, Floor 1.

2.2 The record date, the entitlement to vote in the meeting and the manner of voting

The record date fixed for determining the right of a shareholder regarding entitlement to vote at a general meeting pursuant to Section 182 of the Companies Law and Regulation 3 to the Companies Regulations (Voting Ballot and Position Papers), 2005 (hereafter – "**the Voting Ballot Regulations**"), is the end of the trading day of the Company's securities on July 10, 2017 (hereafter – "**the record date**").

In accordance with the Companies Regulations (Proving Ownership of a Share in order to Vote at a General Meeting), 2000 (hereafter - "**regulations on proving share ownership**"), a shareholder in whose name a share is registered with a member of the stock exchange and the same share is included among the shares listed in the shareholders' register under the name of a nominee company (hereafter "**an unregistered shareholder**"), is entitled to provide the Company with evidence from the member of the Stock Exchange with respect to his ownership in the share at the record date.

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 a branch of the member of the Stock Exchange or delivered by post to his residential address for just the postage fee, at his request, as long as the request in this case is submitted in advance to a specific securities account.

Under the provisions of Regulation 4a to the regulations on proving share ownership, an approved electronic message according to section 44k5 of the Securities Law, concerning user data in the electronic voting system is equivalent to proof of ownership of a share with regards to any shareholder included therein.

A Company shareholder on the record date may participate and vote in the general meeting, either in person or by written voting ballot (as described in section 2.3 below) or by proxy, after an appointment letter is deposited at the Company's offices at least 72 hours before the date of convening of the general meeting (hereafter – "**appointment letter**"). The appointment letter shall be drawn up in writing and will be signed by the appointing person or by the person authorized to do so; if the appointing shareholder is a corporation, the appointment letter shall be drawn up in writing and signed in a manner that binds the corporation. Furthermore, an unregistered shareholder, who is a shareholder of the Company as of the record date, shall be entitled to vote by electronic ballot (as described in section 2.4 below).

2.3 Voting by a written voting ballot

A shareholder may vote in the general meeting in connection with the approval of resolutions no.1.3, 1.4 and 1.5 on the agenda, by the written voting ballot, which is attached to this immediate report. Voting by voting ballot shall be done using the second part of the said written voting ballot. The voting ballot and the position papers for the said meeting, as defined in section 88 of the Companies Law, can be found on the distribution website of the Israel Securities Authority at: www.magna.isa.gov.il (hereafter – "**the distribution website of the Securities Authority**") and on the website of the Tel-Aviv Stock Exchange Ltd. at maya.tase.co.il (hereafter – "**the website of the stock exchange**").

A shareholder is entitled to directly contact the Company and receive from it the text of the voting ballot, or if he agrees to this method of delivery – a link to the text of the ballot at the distribution website. The Member of the Stock Exchange shall send, at no charge, by electronic mail, a link to the text of the voting ballot and position papers at the distribution website, to every shareholder who is not listed in the register of shareholders and whose shares are registered with the same member of the stock exchange, except if the shareholder notified that he does not wish to receive the link, or if he notified that he wishes to receive the voting ballot by post (for postage fees) and so long as the notification was given concerning a specific securities account and prior to the record date.

The shareholder listed on the register of shareholders and who wishes to vote by ballot shall specify his method of voting on the second part of the voting ballot and will deliver it to the Company or post it to the Company via registered mail, together with a photocopy of his Israeli identity card or a photocopy of his passport or a photocopy of the certificate of incorporation, whichever is applicable, such that the voting ballot shall arrive at the registered office of the Company up to six (6) hours before the time of convening of the general meeting.

2.4 Voting by an electronic voting system

In addition to the above, an unregistered shareholder may also vote in connection with the resolutions on the agenda by means of a voting ballot conveyed by the electronic voting system (as defined in Companies Regulations (Voting Ballot and Position Papers), 2005 (hereafter – **“the Voting Ballot Regulations”** and **“the electronic voting system”**)).

The Member of the Stock Exchange will enter into the electronic voting system a list of all details required pursuant to Section 44k4(a)(3) to the Securities Law, regarding each of the unregistered shareholders, who hold securities through him on record date (hereafter – **“list of shareholders entitled to vote”**). However, the Member of the Stock Exchange shall not include in the list of shareholders entitled to vote any shareholders, who delivered him by noon (12:00) of the record date, a notice to the effect that he/she does not wish to be included in the list of shareholders entitled to vote through the electronic voting system, pursuant to Regulation 13(d) to the Voting Ballot Regulations.

A Member of the Stock Exchange shall deliver all details required to vote through the electronic voting system, as close as possible to the receipt of approval from the electronic voting system of a list of shareholders, who are entitled to vote through the electronic voting system (hereafter – **“approval of delivery of list”**), to each of the shareholders listed in the list of shareholders entitled to vote through the electronic system and who receive from the Member of the Stock Exchange notices via email or via the communication systems that are connected to the computer of the Member of the Stock Exchange.

A shareholder, who is listed in the list of shareholders who are entitled to vote through the electronic system, may enter his vote into the system and deliver it to the Company via the electronic voting system. Voting by means of the electronic voting system shall be permitted beginning from the time of delivery of the list and up until six (6) hours prior to the convening of the meeting (hereafter – **“time when the system is locked”**); the vote can be changed or cancelled until the time when the system is locked.

2.5 Position papers

The final date for Company shareholders to provide the Company with a position paper is ten (10) days prior to the date of the General Meeting, i.e. by Sunday, July 30, 2017.

A shareholder may contact the Company and receive from it, free of charge, the text of the position papers it has received.

2.6 Last date for submitting a request to include a subject on the agenda

After the publication of this notice of convening the general meeting, a shareholder may request that the Board of Directors include a subject on the meeting's agenda, in accordance with the provisions of Section 66(b) to the Companies Law. In such a case, the updated agenda of the

general meeting can be viewed in the Company's reports on the distribution websites of the Securities Authority and the Stock Exchange. Such request by a shareholder to include a subject on the meeting's agenda shall be submitted to the Company within seven (7) days following the calling of the meeting according to this report, i.e., until July 11, 2017.

2.7 Legal quorum and adjourned meeting

According to the Company's Articles of Association, two (2) or more shareholders, present in person, by proxy or by voting ballot upon the opening of the general meeting, and holding at least twenty five percent (25%) of the total voting rights shall constitute a legal quorum for holding the general meeting. If within half an hour from the time appointed for the general meeting a quorum is not present, the general meeting shall be cancelled if it was convened at the request of a shareholder, or in any other case it shall stand adjourned to the same day the following week, at the same hour and place, and there will be no obligation to issue a notice to that effect to the shareholders (hereafter – "**the adjourned meeting**"). The requisite quorum at an adjourned general meeting shall be as follows: one or more shareholders, regardless of his/her shareholding in the Company.

2.8 Requisite majority for resolutions at the general meeting

2.8.1 The requisite majority for the resolutions listed in sections 1.2 and 1.3 above is a simple majority of all votes cast by shareholders present and participating in the general meeting, excluding abstentions.

2.8.2 The requisite majority for the resolutions listed in sections 1.4 and 1.5 above is as specified in Section 267A(b) to the Companies Law, i.e. ordinary majority of the shareholders present and voting in the general meeting in person or by proxy, provided that one of the following applies: (a) the general meeting majority count will include all the votes of shareholders who are not controlling shareholders of the Company or parties with a personal interest in approving the remuneration policy, participating in the vote; the total count of votes will not include abstentions; those who have a personal interest in the resolution shall be subject to the provisions of Section 276 to the Companies Law, with the required changes; (b) The total votes against the resolution from among the shareholders referred to in sub-section (a) above do not exceed two percent (2%) of all the voting rights in the Company.

2.8.3 Note that under the provisions of Section 267A(c) to the Companies Law, even if the general meeting, which is convened pursuant to this immediate report, objects to the approval of the remuneration policy and/or to the updating of the remuneration terms of the Company's CEO, the Company's Board of Directors will be allowed to approve the remuneration policy and/or to the updating of the remuneration terms of the Company's CEO, if the Remuneration Committee and subsequently the Board of Directors decide – on the basis of detailed arguments and after discussing again the remuneration policy and/or to the updating of the remuneration terms of the Company's CEO – that the approval thereof despite the objection of the general meeting is in the best interest of the Company.

2.9 Time and place for reading the report

Every shareholder of the Company may read this immediate report and the documents referred to therein at the Company's offices at 8 Abba Even St., Herzliya, following prior arrangement with Mr. Shai Avnit, the Company's CFO, at: 09-8666110 prior to the convening of the general meeting. The report is also available on the website of the Israel Securities Authority and on the website of the Stock Exchange.

Sincerely,

Safe-T Group Ltd.

Signed by: Shai Avnit, CFO

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Safe-T Group Ltd.

(hereafter – “the Company”)

Remuneration Policy for Company’s Office Holders

1. Introduction

- 1.1 Pursuant to the provisions of the Companies Law, 1999 (hereafter – “**the Companies Law**”), on July 3, 2017, the Company’s Board of Directors approved a remuneration policy (hereafter – “**the remuneration policy**”) with respect to the terms of service and employment of Company’s office holders¹ (hereafter = “**the office holders**”), after discussing and considering the recommendations of the Company’s Remuneration Committee regarding this matter.
- 1.2 The provisions of the remuneration policy shall be subject to the provisions of any cogent law applicable to the Company and its office holders in any territory.
- 1.3 The underlying principles and purposes of the Remuneration Policy are as follows: (a) promoting the Company’s goals, its work plan and its policy for the long-term; (b) remunerating and providing incentives to office holders, while considering the risks that the Company’s activities involve; (c) adjusting the remuneration package to the size of the Company and the nature and scope of its activities; (d) creating incentives that are suitable to Company’s office holders by remunerating those entitled for remuneration under the Remuneration Policy in accordance with their positions, areas of responsibility and contribution to the development of the Company’s business, the promotion of its targets and the maximization of profits in the short and long-term, taking into account, among other things, the need to recruit and retain qualified, highly-skilled officers in a global and competitive market; and (e) adjusting the remuneration of office holders to the contribution of the office holder to the achievement of the Company’s goals and maximization of its profits.
- 1.4 This Remuneration Policy is a multi-annual policy that will be effective for a period of three years from the date of its approval. This policy shall be brought forward for re-approval by the Company’s Board of Directors and the general meeting of its shareholders (at the recommendation of the Company’s Remuneration Committee) after three years have elapsed since the date of approval thereof and so forth, unless any changes need to be made to the remuneration policy in accordance with the law and/or in accordance with the Company’s needs.
- 1.5 Without derogating from the provisions set out in Section 1.4 above, the Company’s Remuneration Committee and Board of Directors shall check, from time to time, whether the remuneration that is granted under this policy, does, indeed, comply with the terms of this policy and the parameters set therein for each Company office holder.
- 1.6 This remuneration policy is based, among other things, on the Company’s assessments as to the competitive environment in which it operates and the challenge it faces in recruiting and retaining high-quality officers in such an environment; it is also based on employment terms generally accepted in public companies operating in the Company’s area of activity and on existing employment agreements between the Company and its office holder, which – in order to remove any doubt – this policy cannot change.

2. The remuneration policy

2.1 Components of the remuneration policy

In accordance with the Company’s remuneration policy, the remuneration of the Company’s office holders shall be based on all or some of the following components:

2.1.1 Basic salary component²– basic salary/monthly consultation fees;

¹ The meaning of the term “office holder” is as defined in the Companies Law, i.e., general manager, chief business manager, deputy general manager, vice-general manager, any person filling any of these positions in the Company even if he holds a different title, and any other manager directly subordinate to the general manager.

² Whenever the term “basic salary” is used in this remuneration policy, it refers to the “gross” monthly salary of that employee, excluding any social benefits and related benefits). Whenever the term “annual basis salary” is used, it means the basic salary for the month of December in the relevant year times 12

- 2.1.2 **Social and related benefits** - social benefits as prescribed by law (pension savings, contributions towards severance pay, contributions towards training fund, vacation pay, sick leave, recreation pay, etc.) and related benefits, such as company vehicle/vehicle maintenance, telephone expenses, meals at the workplace, gifts on public holidays, etc.
- 2.1.3 **Variable cash remuneration (bonus)** – short and medium-term remuneration, which includes annual bonuses, which are based on results and achievement of targets. The Company may also determine that a certain office holder will be paid discretionary annual bonuses, taking into account his/her contribution to the Company and the restrictions placed under this policy.
- 2.1.4 **Variable equity-based remuneration** – share-based payment or another long-term remuneration (subject to the existence of valid long-term remuneration plans and provided that the Company decides to award such remuneration).

(the components in sections 2.1.3 and 2.1.4 above shall be called hereafter: “**the variable components**”).

At the time of approval of the remuneration package of an office holder, the Remuneration Committee and Board of Directors of the Company shall assess the compliance of each of those components and of the total cost of employment with the criteria set out in this plan.

2.2 Parameters for reviewing remuneration terms

As a general rule, some or all of the following parameters will be taken into account when reviewing the remuneration terms of a Company office holder.

- 2.2.1 Education, skills, expertise, tenure (specifically in the Company and in the office holder’s field of expertise in general), professional experience and achievements of the office holder;
- 2.2.2 The role of the office holder, his areas of responsibility and his employment terms under previous wage agreements entered into with this office holder;
- 2.2.3 The office holder’s contribution to the Company’s business, the achievement of its strategic goals and implementation of its work plans, the maximization of its profits and the enhancement of its strength and stability.
- 2.2.4 The extent of responsibility delegated to the office holder.
- 2.2.5 The Company’s need to recruit or retain an office holder with unique skills, knowledge or expertise.
- 2.2.6 Whether a material change has been made to the role or function of the office holder, or to the Company’s requirements from this office holder.
- 2.2.7 The size of the Company and the nature of its activities.
- 2.2.8 As to service and employment terms that include retirement grants – the term of service or employment of the office holder, the terms of his service and employment over the course of this period, the Company’s performances in the said period, the office holder’s contribution to the achievement of the Company’s goals, the maximization of its profits and the circumstances of the retirement.
- 2.2.9 (a) The market conditions of the industry in which the Company operates at any relevant time, including the office holder’s salary compared to the salaries of other office holders working in similar positions (or in position of comparable level) in

companies whose characteristics are similar to those of the Company in terms of its activity (as described in section 2.3.1 below; (b) the availability of suitable candidates that can serve as office holders in the Company, the recruitment and retainment of the office holders and the need to offer an attractive remuneration package in a global competitive market; and (c) changes in the Company's area of activity and in the scope and complexity of its activities.

2.3 Payroll review

2.3.1 For the purpose of determining the payroll that can be offered to an office holder upon recruitment, the Company will review from time to time the payroll generally accepted in the relevant markets for similar positions in companies, which are similar to the Company in terms of its area of activity/scope of activity/complexity of activity/market value/ revenues and other relevant parameters (if such companies exist).

2.3.2 The payroll review will be conducted by the Company itself, or by an external advisor, at the Company's discretion, after the Remuneration Committee has issued its recommendations with regard to this matter.

2.4 Remuneration terms to new office holders

As a general rule, the remuneration terms of new office holders shall be approved before they start working for the Company and not in retrospect, except in exceptional circumstances.

2.5 The ratio between the remuneration of office holders and the remuneration of all other Company employees

The ratio between the cost of terms of service and employment of Company's office holders³ and the cost of payroll⁴ of all other Company employees (on a full-time basis):

The ratio between the average cost of salary of office holders and the average cost of salary of all other Company employees shall not exceed:	Active Chairman of the Board of Directors: 1 (to the Chairman) to 0.35 CEO: 1 (to the CEO) to 0.35 VPs 1 (to the VPs) to 0.4 Foreign office holders: 1 (to the foreign office holders) to 0.3
The ratio between the cost of median payroll of office holders to cost of median payroll of of all other Company employees shall not exceed:	Active Chairman of the Board of Directors: 1 (to the Chairman) to 0.35 CEO: 1 (to the CEO) to 0.35 VPs 1 (to the VPs) to 0.4 Foreign office holders: 1 (to the foreign office holders) to 0.3

In the opinion of the Company's Remuneration Committee and Board of Directors, the said ratio is reasonable and appropriate and does not have an adverse effect on work relations in the Company, taking into account the nature of the Company, its size, the manpower mix employed therein, its area of activity and the areas of responsibility of each office holder.

2.6 Basic salary, benefits and other related benefits

2.6.1 The basic salary of a new Company office holder shall be determined taking into accounts the parameters described in section 2.2 above and the conclusions of the payroll review described in section 2.3 above (should such a review be conducted).

2.6.2 The basic salary shall be in absolute numbers. The Company may determine that an office holder's salary shall be linked to a certain currency or index.

³ Cost of terms of service and employment of Company office holders for the purpose of this analysis include the existing remuneration of the office holders and an amount that reflects the annual bonus ceiling (as defined below) that is set by the remuneration policy set forth below.

⁴ "Cost of payroll" – basic salary + benefits in terms of cost to the employer.

- 2.6.3 In any case, the basic monthly salary, or alternatively, the monthly consultation fees shall not exceed the maximum amount set out below in respect of full-time position (linked to the Consumer Price Index commencing May 2015):

Position	Maximum basis salary* in ILS**
Active director	55,000
Company's CEO	55,000
Vice Presidents	50,000
Office holders in foreign subsidiaries	70,000

* An amount paid to an office holder as monthly consultation fees (in respect of which an invoice is issued), which is up to 1.4 times higher than the maximum basic salary set for his position, shall not be considered to be a deviation from the remuneration policy.

** The amounts presented above are in respect of a full-time position; those amounts shall change in proportion to the scope of position of the office holder.

2.6.4 Social benefits⁵, related benefits, reimbursement of expenses

The remuneration package may include benefits that are generally acceptable in the market, such as vacation pay⁶, contributions towards pension, life insurance, training fund saving, health insurance, social rights and benefits, mobile phone (including grossing up of the taxable value of the phone), internet and landline, gifts on public holidays, recreation, medical tests, medical insurance and/or undertaking such an insurance policy and other expenses, all as approved by the Remuneration Committee and the Company's Board of Directors, at their discretion and in accordance with the applicable Company policy.

2.6.5 Vehicle

Company office holders shall be entitled to receive participation in vehicle expenses or a Company vehicle (including by way of leasing) in accordance with acceptable standards for office holders holding similar positions in companies operating in the Company's area of activity, or in companies, whose scope of activities is similar to that of the Company, including grossing up the taxable value of this benefit, fuel expenses, licensing, insurance and other related expenses.

2.6.6 Insurance, indemnification and exemption

2.6.6.1 Company's office holders shall be entitled to insurance coverage to be provided by a liability insurance policy of directors and office holders, which the Company will purchase from time to time, subject to the approvals required by law.

2.6.6.2 Subject to the provisions of the law, as amended from time to time, and without detracting from the provisions of section 2.6.6.1 above, the Company's office holders shall be entitled to benefit from coverage provided by a liability insurance of directors and office holders, which the Company will purchase from time to time, subject to the approval of the Remuneration Committee alone (and the approval of the Board of Directors, if required by law), provided that the insurance policy meets the following criteria and provided that the

⁵ As to an office holder that has entered into engagement with the Company whereby no employer-employee relationship exists, the Company may pay the social benefits described above on top of his salary in lieu of the said expenses.

⁶ An office holder shall be entitled to annual leave as prescribed by law, but the Company grant him further paid leave up to a ceiling of 24 working days per year. The Company may allow the office holder to accumulate vacation days over his term of office in accordance with Company's procedures.

engagement with the insurer is entered into under market conditions and will not have a material effect on the Company's profitability, its assets or liabilities:

- a. The limit of insurer's liability under the insurance policy shall not exceed \$ 50 million per claim and over the insurance period covered by that policy, plus reasonable litigation expenses in excess of the abovementioned limit and the maximal coverage for a POSI insurance policy (Public Offering of Securities Insurance) that will supplement the insurance coverage for events that were not taken into account at the time of purchasing the insurance policy (such as a share offering, share offering in a foreign stock exchange, financing, or publication of a prospectus, etc. – shall not exceed \$ 15 million.
- b. The insurance policy may include an entity cover that will cover the Company itself in case of lawsuits filed against it under the securities law (whether those lawsuits are filed only against the Company and whether they are filed against the Company and office holder thereof or an office holder in its related companies).
- c. Total annual premium that the Company will pay to an insurance company for the office holders liability insurance as described above, shall not exceed a total of \$ 50,000 if the Company's securities are listed on the Israeli stock exchange alone and a total of \$ 120,000 if the Company's securities are also listed in foreign stock exchanges. The annual premium payable for a POSI policy shall not exceed \$ 80,000.
- d. The excess amounts set in the insurance policies shall not exceed the amounts normally applicable in the insurance market for policies of this type as of the date of purchasing and renewing the insurance on a periodic basis.

2.6.6.3 The Company's office holders may be entitled to an indemnification arrangement in accordance with arrangements that are normally acceptable and subject to the provisions of the law and the Company's articles of association. The overall amount of indemnification per event to all office holders shall not exceed 25% of the effective shareholders' equity of the Company (the maximum indemnification amount). For that purpose, the "**effective shareholders' equity of the Company**" means the amount of the Company's shareholders' equity in accordance with the last consolidated audited or reviewed financial statements of the Company (as applicable) at the time of actual payment of the indemnification. It is hereby clarified, that the indemnification shall be paid in excess of any amount paid under the liability insurance of directors and office holders, which the Company has purchased or will purchase from time to time.

2.6.6.4 Company office holders may be entitled to an exemption arrangement in accordance with arrangements that are normally acceptable and subject to the provisions of the law and the Company's articles of association.

2.7 **Remuneration in connection with termination of employment**

2.7.1 Advance notice period

2.7.1.1 An office holder may be entitled to advance notice period or payment in lieu of advance notice period. The advance notice period shall be determined for each and every office holder, taking into account the parameters listed in section 2.2 above.

2.7.1.2 As a general rule, the advance notice period of an office holder shall not exceed 4 months and the Remuneration Committee and Board of Directors of the Company, and where required – the General Meeting of the Company's

shareholders, may, at their discretion, taking into account the position of the office holder, his area of responsibility and his other remuneration components, approve an advance notice period that is different than the one specified above.

2.7.1.3 Over the course of the advance notice period, the office holder shall continue to do his job in the Company at the request of the Company, unless the Company decides that he will not do so, in which case the office holder may be entitled to continue and receive over the advance notice period all employment and service terms, which were agreed upon in his employment agreement.

2.7.1.4 The service and employment terms of the office holders may include a provision whereby the Company may terminate the employment of the office holder without an advance notice period in cases which deny eligibility for severance pay according to the law, including the following cases: (a) conviction of an offence involving moral turpitude; (b) an office holder who will conduct himself in a disloyal and/or unreliable and/or dishonest manner in his relations with the Company and/or while carrying out actions on its behalf and/or will harm the Company's reputation; (c) in case the office holder will breach the confidentiality duty towards the Company and/or his duty to protect the Company rights which were developed due to or as part of his work at the Company; (d) Any other case in which the Company is legally entitled to refrain from payment of severance pay.

2.7.2 Adaptation period

Subject to the approval of Remuneration Committee and Board of Directors of the Company, and where required – the General Meeting of the Company's shareholders and subject to the provisions of the law, as amended from time to time, the office holder may be entitled to an adaptation period that will not exceed two months after the end of the advance notice period. Over the adaptation period, the office holder will receive his salary and other related employment terms as described above. The Company may approve adaptation grants to office holders provided that he did not end his service in Company under circumstances which deny eligibility for severance pay according to the law.

2.7.3 Severance pay

Office holders, who are Company's employees, will be entitled to severance pay in accordance with the provisions of the law.

2.7.4 Retirement terms

2.7.4.1 The retirement terms of Company's office holders shall be determined in accordance with the parameters set out in section 2.2 above.

2.7.4.2 An office holder may be entitled to a retirement grant at a total aggregate amount that will not exceed the basic salary component (as this term is defined in sections 2.1.1 and 2.6 above) of a six (6) month period. When determining the amount of the retirement grant, the Company will take into account, among other things, the period of service or employment of the office holder, the terms of service and employment over the course of this period, his contribution to the achievement of the Company's goals and maximization of its profits and the circumstances of the retirement.

2.8 Annual bonus

In addition to the basic salary, the remuneration package of Company's office holders may include eligibility to an annual bonus that is based on measurable targets and to an annual discretionary bonus (hereafter jointly: "**the annual bonus**").

2.8.1 Components of the bonus

- With regard to the Company's CEO and an active director – most of the annual bonus will be based on measurable targets and an immaterial portion of the annual bonus (for that purpose “**immaterial portion**” – the higher of (a) a total of 3 (gross) monthly salaries or (b) 25% of the variable components of the bonus (actual bonus and equity-based payment) shall be a discretionary bonus that is based on qualitative criteria. Notwithstanding the above, if in a specific year the Company does not pay the CEO or the active director (as applicable) an annual bonus that is based on measurable targets (i.e., if the discretionary annual bonus paid to the CEO or the active director (as applicable) constitutes the total annual bonus paid on that year), then the amount of the discretionary bonus that the Company may pay to the CEO and to the active director (as applicable and separately) shall not exceed three (3) gross monthly salaries of that office holder.
- With regard to office holders who report to the Company's CEO – subject to the provisions of the law, office holders, who report to the CEO, may be eligible to an annual bonus that is based on measurable targets and to a discretionary annual bonus. It should be clarified that the whole amount of annual bonus payable to office holders, who report to the Company's CEO may be a discretionary bonus (unlike an annual bonus that is based on measurable targets).

2.8.2 Annual bonus that is based on measurable targets

The amount of the annual bonus that is based on measurable targets shall be calculated based on measurable criteria, that will be determined (if they are determined) for each and every office holder at the time of determining the Company's budget for the forthcoming year, in accordance with the role of the relevant office holder, by the competent organs of the Company (in accordance with the provisions of the law and the positions of the Securities Authority, as amended from time to time), provided that the targets applicable to office holders, who report to the CEO, shall be determined by the Company's Remuneration Committee and Board of Directors, at the recommendation of the CEO.

2.8.2.1 Subject to the provisions of the law and the positions of the Securities Authority (as amended from time to time):

- a. The Remuneration Committee and Board of Directors alone will be allowed to determine the measurable targets applicable to active directors, if one of the following is fulfilled:
 - (1) All of the following conditions are met: (a) the resolution is in line with the remuneration policy; (b) the grant in question is based only on measurable targets; (c) the amount of the potential grant is immaterial (up to three salaries); and (d) the targets were pre-determined by the Remuneration Committee and Board of Directors.
 - (2) All of the following conditions are met: (a) the resolution is in line with the remuneration policy; (b) the office holder in question serves both as a director and in an operational role in the Company; (c) The Remuneration Committee and Board of Directors approved the targets, but the directors, who receive from the Company a bonus based on measurable targets, did not take part in the approval of those targets (whether in their capacity as directors or in their capacity as other office holders in the Company).
- b. The Remuneration Committee and Board of Directors alone will be allowed to determine the measurable targets applicable to an office holder, who is a controlling shareholder or a relative thereof (as these terms are defined in the Companies Law), if one of the following is fulfilled:

- (1) All of the following conditions are met: (a) the resolution is in line with the remuneration policy; (b) the grant in question is based only on measurable targets; (c) the amount of the potential grant is immaterial (up to three salaries); and (d) the targets were pre-determined by the Remuneration Committee and Board of Directors.
- (2) The Board of Directors has determined a clear target that is based on financial statements data and which applies in the same manner to the controlling shareholder and his relative and to other office holders, who are not related to the controlling shareholder.

Set forth below are some suggested criteria for the annual bonus that is based on measurable targets. It should be clarified that this list is not a closed and binding list. The Remuneration Committee and the Board of Directors may consider adding or removing some of those criteria, taking into account the role of each office holder, this areas of responsibility and the Company's activity.

1. Bonus that is based on financial targets – a bonus that is based on meeting principal and personal performance metrics that are quantified and set out in the Company's work plan and attributed to the relevant office holder. These performance metrics may include, among other things: sales and marketing targets.
 - (a) Engagement in products distribution contracts.
 - (b) Engagement in collaboration contracts.
 - (c) Achievement of product development milestones.
 - (d) Completion of development of new technologies.
 - (e) Production and growth metrics relating to scope of activity.
 - (f) Recruitment and retainment of customers.
 - (g) Reducing costs.
 - (h) Implementation, promotion and completion of planned projects.
 - (i) Achievement of targets/milestones relating to implementation of principal projects and processes of the Company.
 - (j) Promotion of strategic plans and targets, including targets which were set for the office holder, and which are relevant to the relevant office holder's area of activity.
 - (k) Achievement of financial targets: raising loans, bonds, public offering of shares, etc.

At the end of each year, the Remuneration Committee and Board of Directors will review the office holders' meeting their measurable targets in order to determine that component of the annual bonus, which is based on measurable targets. The Remuneration Committee and Board of Directors may determine to pay only part of the component of the annual bonus, which is based on measurable targets, if the office holder meets only some of the targets.

2.8.2.2 Neutralization of one-off events

As part of the calculation of the eligibility to annual bonus that is based on measurable targets on the basis of financial statements data (if such targets are set) the Board of Directors or the Remuneration Committee will be authorized to neutralize the effect of "one-off events", or alternatively to decide that such events should not be neutralized in a certain year, as applicable.

2.8.3 Annual discretionary bonus

Subject to the recommendation of the Company's CEO in connection with office holders who report to him, and in respect of the CEO and the active directors – subject to the recommendation of the Board of Directors, the Company's competent organs shall be

allowed (subject to the provisions of the law and the positions of the Securities Authority (as amended from time to time)), to award a discretionary bonus to Company's office holders, based, among other things, on the following qualitative criteria (hereafter – "**annual discretionary bonus**").

1. The office holder's contribution to the Company's business, the maximization of its profits and the enhancement of its strength and stability.
2. The Company's need to recruit or retain an office holder with unique skills, knowledge or expertise.
3. The extent of responsibility delegated to the office holder.
4. Changes that have taken place over the last year with regards to the areas of responsibility of the office holder.
5. Satisfaction from the performance and functioning of the office holder.
6. Appreciation to the office holder's ability to work in collaboration and coordination with the team.
7. The office holder's contribution to corporate governance and to proper control environment and ethics.
8. The office holder's contribution to the promotion and development of employees and managers, insofar as this is relevant to his role.

The Company's competent organs shall approve this component based, among other things, on data presented by the Company's management and based on personal assessment and recommendation issued by the Company's CEO (with regard to office holders who report to him) and by the Company's Board of Directors with regard to active directors and the CEO, while listing the underlying reasons for their recommendation.

2.8.4 The annual bonus ceiling of office holders as of date of payment thereof (both in respect of discretionary bonus and in respect of bonus based on measurable targets:

Role	Maximum annual bonus⁷ as of date of payment thereof (in terms of basic salary²)
Active director	Up to 7 salaries (subject to the provisions of section 2.8.1 above)
CEO	Up to 7 salaries (subject to the provisions of section 2.8.1 above)
CFO, VPs Marketing and other office holders, who report to the CEO	Up to 6 salaries
VPs Sales and sales managers, who report directly to the CEO	Up to 12 salaries
Office holders in foreign subsidiaries	Up to 12 salaries

2.8.5 The Remuneration Committee and Board of Directors may decide to postpone the payment of the annual bonus or reduce the amount of the annual bonus to which the office holder is entitled, at their own discretion.

2.8.6 The Company may pay an office holder, who has not completed a full year of employment, a proportionate share of the bonus according to the period of employment of the office holder.

2.8.7 The office holder shall repay to the Company that portion of the bonus he received, which was based on measurable targets, should it be determined that this component

⁷ The ceiling is in respect of the whole annual bonus – bonus based on measurable targets + discretionary bonus.

was paid to him on the basis of erroneous data and/or data that were restated in the Company's financial statements, provided that the date of restatement of the financial statements does not fall later than three years after the original approval of the relevant financial statements.

2.9 **Long-term remuneration**

2.9.1 Subject to the approval of a long-term remuneration plan by the Company in accordance with the provisions of the law, the Company may allocate to office holders and from time to time options and/or restricted shares ("**share-based payment**") and/or another long-term remuneration, including a remuneration that is based on the performance of the Company's share (such as phantom options), as part of the remuneration package.

2.9.2 The annual value of the share-based payment⁸ paid to each shareholder, as of the date of grant thereof, shall not exceed the following ceilings:

Role	Maximum value of equity-based payment as of date of award thereof (in relation to annual cost of payroll⁴)
Active Chairman of the Board of Directors	Up to 4.0 times bigger
Active director	Maximum value of up to 500,000 ILS
CEO	Up to 2.5 times bigger
CFO, VPs Marketing and other office holders, who report directly to the CEO, if any	Up to 1.25 times bigger
VPs Sales and sales managers, who report directly to the CEO	Maximum value of equity-based payment is equal or less than the annual cost of payroll
Office holders in foreign subsidiaries	Up to 1.25 times bigger

2.9.3 Should the Company decide the award options:

2.9.3.1 The Company will maintain securities-based remuneration scheme in accordance with Section 2012 to the Income Tax Ordinance or other tax provisions that apply to the Company and/or its employees in accordance with the territory in which they operate.

2.9.3.2 Each of the options that the Company will award will be exercisable into one ordinary Company share in consideration for a price that will not be less than the average share price on the Tel Aviv Stock Exchange over the last 30 trading days preceding the date on which the Board of Directors of the Company decided to award the options.

2.9.3.3 The vesting period of the options to be awarded by the Company will be at least 3 years until vesting of all options that were allocated and at least six months in respect of the first batch of options. Nevertheless, the Remuneration Committee and the Company's Board of Directors are authorized to determine that despite the above vesting provisions, the options shall be exercisable upon the achievement of targets that they will set close before the award of the options.

2.9.3.4 The vesting period may be accelerated upon the occurrence of special events, such as change of control in the Company and/or sale of operations and/or the end of the tenure of an office holder under special circumstances (such as death of illness).

2.9.3.5 The options shall expire no later than 10 years after the date of allocation.

⁸ "**the annual value of the share-based payment**" – in this section – is the result of dividing the value of the options and/or restricted shares at the time of award, as determined by accounting principles, by the number of vesting years.

- 2.9.4 As part of the discussion on the award of share-based payment to a Company office holder, the Remuneration Committee and the Company's Board of Directors, and where required – the general meeting of the Company's shareholders, will assess whether the said award constitutes an appropriate incentive that will contribute to the maximization of the Company's value in the long-term.
- 2.9.5 Share-based payment shall be awarded after the assessment of the economic value of the said award, the exercise prices and the exercise periods.

2.10 The ratio between the basic salary component and the variable components⁹

Role	The ratio between the variable components and the fixed components
Active director	Up to 4.60
CEO	Up to 3.10
CFO, VPs Marketing and other office holders, who report directly to the CEO, if any	Up to 1.85
VPs Sales and sales managers, who report directly to the CEO	Up to 2.00
Office holders in foreign subsidiaries	Up to 2.00

2.11 Extending the term of existing agreements with Company office holders and making amendments to those agreements

- 2.11.1 Prior to extending the term of the employment agreement with a Company office holder (whether this involves changes to the terms of employment or not), the office holder's existing remuneration package will be assessed in relation to the parameters set out in section 2.2 above and bearing in mind the payroll review, which was conducted by the Company as per section 2.3 above.
- 2.11.2 Subject to the provisions of the law and the positions of the Securities Authority, as amended from time to time, immaterial changes made to the service terms of the Company's CEO will need to be approved by the Remuneration Committee alone, if the latter approved that the changes are, indeed, immaterial and the change complies with the provisions of this remuneration policy.
- 2.11.3 Subject to the provisions of the law and the positions of the Securities Authority, as amended from time to time, immaterial changes made to the service and employment terms of the office holders who report to the Company's CEO shall be approved by the Company's CEO alone and the approval of the Remuneration Committee will not be required, provided that the service and employment terms of that office holder comply with the provisions of this remuneration policy.

In sections 2.11.2 and 2.11.3 above, "**immaterial changes to the service and employment terms**" are changes, the aggregate value of which does not exceed 10% of the overall annual cost of remuneration of the office holder.

2.12 Remuneration of directors

- 2.12.1 Company's directors will be eligible to remuneration in accordance with the Companies Regulations (Rules Regarding Remuneration and Expenses to External Director), 2000 (hereafter – "**the remuneration regulations**") and which will not exceed the maximum remuneration set in the remuneration regulations (including the maximum remuneration to an external expert director, which is set in the remuneration regulations). This section will not apply to directors, who will serve as active directors and who will be eligible to remuneration in accordance with other provisions of this remuneration policy.

⁹ For that purpose, the "variable components" include the annual value of the share-based payment.

2.12.2 Notwithstanding the provisions of section 2.12.1, directors, who serve in other positions in the Company in addition to their service as directors, shall be eligible to salary as paid in the Company for similar positions.

2.12.3 The directors, who serve in the Company, may be eligible to reimbursement of reasonable expenses; they will also be eligible to insurance, indemnification and exemption arrangements as described in section 2.6.6 above, all in accordance with the provisions of the Company's articles of association and the provisions of this remuneration policy.

3. The powers of the Remuneration Committee and the Company's Board of Directors with regard to the remuneration policy

3.1 The Company's Board of Directors is charged with the management of the remuneration policy and all actions required for management thereof, including the power to interpret the provisions of the remuneration policy where doubts arise as to the manner of its implementation.

3.2 The Company's Remuneration Committee and Board of Directors will assess, from time to time, the remuneration policy and the need to adjust it, inter alia, in accordance with the considerations and principles set out in this policy, while taking into account the changes in the Company's goals, market conditions, Company's profits and revenues in previous periods in in real time and any other relevant information.

3.3 In order to assess the Company's remuneration policy, the Company's Remuneration Committee and its Board of Directors will monitor the implementation of the remuneration policy in the Company.