



September 4, 2024

To whom it may concern,

RE: Immediate Report on a Transaction for which Approval of a General Meeting of Shareholders is not Required.

In accordance with Regulation 37A(5) to the Securities Regulations (Immediate and Periodic Reporting) 2006, and the Companies Regulations (Relief for Interested Party Transactions) 2000 (hereinafter, the "Relief Regulations"), and further to the Company's Immediate Report dated September 4, 2024, regarding the completion of the sale of the shareholdings of the Company's controlling shareholder, Discount Investment Corporation Ltd. (hereinafter, "DIC"), to Arieli EL Ltd. (hereinafter, "Completion of the Transaction" and "New Controlling Shareholder", respectively), which is incorporated herein by reference, the Company reports as follows:

**1. The Acquisition of a Liability Insurance Policy and Run-off policy for Directors and Office Holders ("nosei misrah") of the Company.**

- 1.1. On December 26, 2023, the Compensation Committee approved the acquisition by the Company of a D&O liability insurance policy (hereinafter, the "Existing Policy") for a period of 12 months ending on December 31, 2024 (hereinafter, the "Insurance Period"). The terms of the Existing Policy set out, among other things, that upon a change in control in the Company, the Existing Policy will cease and automatically convert to a run-off policy through the end of the Insurance Period.
- 1.2. On May 5, 2024, the Company reported, by way of an Immediate Report, on the entering into by DIC, of a non-binding memorandum of understanding, for the sale of all of its holdings in the Company to a potential purchaser which was completed on September 4, 2024. For more details, see the Company's Immediate Reports from May 5, 2024 and September 4, 2024, which are incorporated herein by reference.
- 1.3. In light of the fact that pursuant to the terms of the Existing Policy, among others, upon a change of control in the Company, the Existing Policy ceases and automatically converts to a run-off policy through the end of the Insurance Period, and in order to prepare for the Completion of the Transaction (assuming it does complete), on July 3, 2024, subject to the Completion of the Transaction, the Compensation Committee approved the acquisition of a new directors and officers liability insurance policy (hereinafter, the "New Insurance Policy"), all in accordance with the Company's Compensation Policy and Regulation 1B1 of the Relief Regulations.

The New Insurance Policy covers claims relating to events that may occur from the date of the change of control and for a period of 12 months, with liability limitations of up to \$20 million (same as in the Existing Policy) with a premium of approximately \$130,000 per year (a rate lower than the Existing Policy). The terms of the New Insurance Policy are identical for all directors and office holders of the Company, including directors and office holders who are among the controlling shareholders of the Company or related to them. After the Completion of the Transaction Ms. Lisyah Bahar Manoah, Mr. Ariel Bentov and Mr. Evan Renov, who are deemed to be controlling shareholders of the Company as detailed in section 2.1 below, will serve as directors of the Company.

- 1.4. In addition, the Compensation Committee approved, in accordance with the Compensation Policy, to acquire, subject to Completion of the Transaction, a run-off directors' insurance policy, with the following principal terms: insurance coverage of up to \$20 million; coverage for a period of 7 years from the date of the change of control of the Company covering claims related to circumstances and claims first discovered during the policy period for events that preceded the date of the change of control of the Company (hereinafter, "Run-off Policy"). The premium for the Run-off Policy is approximately \$389,000.

## **1.5 Summary of the Reasoning of the Company's Compensation Committee**

Below is a summary of the reasoning of the Company's Compensation Committee for its approval to acquire the New Insurance Policy and the Run-off Policy for the directors and office holders of the Company:

1.5.1. Acquiring directors' and officers' liability insurance policy is standard practice in public companies in Israel, and at the Company, and is permissible under the law and in accordance with the directors and office holders' Compensation Policy adopted by the Company;

1.5.2. The terms of the New Insurance Policy and the Run-off Policy comply with the terms set out in the Company's Compensation Policy which was approved at the Company's general meeting of shareholders in accordance with section 267a of the Companies Law, 5599-1999, and which remains in effect as of this date;

1.5.3. Acquiring the New Insurance Policy is to the Company's benefit, since it allows the Company's office holders to fulfill their duties in the Company, taking into account the risks and responsibilities involved;

1.5.4. In the opinion of the members of the Compensation Committee, the premiums for the above referenced insurance policies are reasonable, and the conditions of the policies are reasonable, taking into account, among other things, the Company's exposure, the scope of coverage and market conditions;

1.5.5. The terms in the New Insurance Policy are identical for all directors and officer holders of the Company, including the CEO and those who are among the controlling shareholders; and

1.5.6. The New Insurance policy meets market conditions and is not expected to materially affect the profitability of the Company, its assets or its liabilities.

Therefore, the Company's Compensation Committee approved that the conditions of Regulation 1B1 of the Relief Regulations have been met, and that the approval to acquire the New Insurance Policy and the Run-off Policy for directors and officer holders of the Company does not require the approval of the general meeting of the Company's shareholders.

## **2. Approval of Terms of Office for Directors from among the Controlling Shareholder**

- 2.1. On September 4, 2024, the Company's Board of Directors approved the appointment of three directors on behalf of the New Controlling Shareholder, subject to the Completion of the Transaction (as defined in Section 1.2 above) and the purchaser becoming the New Controlling Shareholder. Upon the Completion of the Transaction, the appointments of Ms. Lisyah Bahar Manoah, Mr. Ariel Bentov and Mr. Evan Renov, who are deemed to be the controlling shareholders of the Company (hereinafter, the "Directors from among the Controlling Shareholder") will become effective up to and until the convening of the Company's next general meeting of

shareholders. For details regarding the appointment of the directors on behalf of the Controlling Shareholder, see the Company's reports from September 4, 2024, which are incorporated herein by reference.

2.2. In accordance with the provisions of Regulation 1B(a)(3) of the Relief Regulations, and subject to the Completion of the Transaction and the appointment of the Directors from among the Controlling Shareholder to serve as directors of the Company, the Company's Compensation Committee and Board of Directors approved that the Directors from among the Controlling Shareholder will be entitled to annual remuneration and participation remuneration in accordance with the maximum amounts set out in the second and third supplements to the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000 (hereinafter, the "Remuneration Regulations"), (including the addition for expertise), as may be amended from time to time and in accordance with the capital level of the Company, as it will be from time to time, and among others reimbursement of expenses as set forth in Regulation 6 of the Remuneration Regulations. Such amounts will be linked to the consumer price index in accordance with Regulation 8 of the Remuneration Regulations. VAT will be added to such amounts in accordance with law (hereinafter, the "Remuneration"), whether they are paid to them or the Controlling Shareholder.

2.3. As stated above in accordance with Regulation 1B(a)(5) of the Relief Regulations and subject to the Completion of the Transaction and the appointment of the Directors from among the Controlling Shareholder to serve as directors of the Company, the Company's Compensation Committee and Board of Directors approved to include these directors in the New Insurance Policy (as detailed in Section 1 above). To complete the picture, it is noted that the Company's Compensation Committee and Board of Directors further approved to grant indemnification agreements to the Directors from among the Controlling Shareholder in the same format as approved for all the Company's directors and office holders. The granting of indemnification agreements to directors who are controlling shareholders or relatives thereof requires the approval of the general meeting of the Company's shareholders.

**2.4. Summary of the Reasoning of the Company's Compensation Committee and Board of Directors**

Below is a summary of the reasoning of the Company's Compensation Committee and the Board of Directors for approving terms of office for Directors from among the Controlling Shareholder:

2.4.1. The inclusion of the Directors from among the Controlling Shareholder in the New Insurance Policy is standard practice in public companies in Israel, including at the Company, and is permissible under the law and in accordance with the office holders Compensation Policy adopted by the Company;

2.4.2. The inclusion of the Directors from among the Controlling Shareholder in the New Insurance Policy is to the Company's benefit, since it allows the Company's office holders to fulfill their duties in the Company, taking into account the risks and responsibilities involved;

2.4.3. The Remuneration paid to the Directors from among the Controlling Shareholder is reasonable and the conditions comply with the terms set out

in the Company's Compensation Policy and in accordance with the Remuneration Regulations; and

- 2.4.4. The Remuneration paid to Directors from among the Controlling Shareholder does not exceed the lowest remuneration paid to another director in the company, nor does it exceed the maximum amount that can be paid to an external director in accordance with Regulations 4, 5 and 7 of the Remuneration Regulations.

Therefore, the Company's Compensation Committee and the Board of Directors approved that the conditions of Regulations 1B(a)(3) and 1B(a)(5) of the Relief Regulations have been met, and that the Remuneration approved for the Directors from among the Controlling Shareholder for their service as directors of the Company as well as their inclusion in the New Insurance Policy do not require the approval of the general meeting of the Company's shareholders.