

The International Bar Association Company Director Checklist – Israel

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Item	Number	Check	Item	Number	Check
Before appointment			Potential liability	16	<input type="checkbox"/>
Items to understand	1	<input type="checkbox"/>	Duration of duties	17	<input type="checkbox"/>
People to meet with	2	<input type="checkbox"/>	Special circumstances		
Documents to review	3	<input type="checkbox"/>	Bankruptcy	18	<input type="checkbox"/>
Ongoing duties			Takeover bids	19	<input type="checkbox"/>
Points for attention	4	<input type="checkbox"/>	Market abuse/insider dealing	20	<input type="checkbox"/>
Legal status of directors	5	<input type="checkbox"/>	Defences		
Parties to which duties are owed	6	<input type="checkbox"/>	Good corporate governance	21	<input type="checkbox"/>
Powers of directors	7	<input type="checkbox"/>	Minutes of board meetings	22	<input type="checkbox"/>
Duty of loyalty	8	<input type="checkbox"/>	Discharge and indemnification	23	<input type="checkbox"/>
Duty of care	9	<input type="checkbox"/>	Insurance	24	<input type="checkbox"/>
Duty to have and maintain skills	10	<input type="checkbox"/>	Resignation	25	<input type="checkbox"/>
Additional duties (confidentiality, etc.)	11	<input type="checkbox"/>	Restructuring of assets	26	<input type="checkbox"/>
Delegation of powers/authority	12	<input type="checkbox"/>	ESG and D&I policies, metrics	27	<input type="checkbox"/>
Conflicts of interest (inc. intragroup dealings)	13	<input type="checkbox"/>			
Compliance with statutory obligations	14	<input type="checkbox"/>			
Disclosure obligations	15	<input type="checkbox"/>			

Introduction

This checklist is intended to serve as a practical guide to the main duties and obligations of the directors of

- Public companies, listed on a regulated market in Israel, i.e. the Tel Aviv Stock Exchange (the "TASE") (and – to a certain extent Israeli companies which shares are traded on regulated markets in Israel)
- Private companies which debentures are listed on the TASE.
- private limited companies incorporated in Israel arising from the Israeli laws and regulations, including, among others:
 - The Companies Law, 1999 (the "Companies Law")
 - The Securities Law, 1968 (the "Securities Law")
 - The Insolvency and Financial Rehabilitation Law, 5778 – 2018 (the "Insolvency Law")
 - The Companies Regulations (conditions and criteria for directors having financial and accounting expertise and for directors having professional skills), 2005
 - The Israeli Companies Regulations (rules concerning remuneration and expenses of external directors), 2000
 - The Companies Regulations (concessions for companies which securities are listed for trade in exchanges out of Israel), 2000
 - The Securities Regulations (annual financial statements), 2010
 - The Securities Regulations (periodical and immediate reports of a foreign corporation), 2000
 - The Securities Regulations (periodical and immediate reports), 1970
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If any specifics of listed public companies are relevant, see the third column of this checklist below.

Disclaimer

This checklist is informational in character only and is not intended to be comprehensive in all respects or to serve as a substitute for professional advice. In all cases, however, specific legal advice should be sought. This checklist was last updated on March 17, 2022.

DUTIES AND OBLIGATIONS OF THE DIRECTORS			
	Action/issue	Specifics of listed public companies (if relevant)	Comments/notes
Before appointment			
1. Items to understand	<ul style="list-style-type: none"> ▪ Why you have been approached and what you are expected to contribute. ▪ Are you (personally and professionally) qualified to serve as a director in such company ? ▪ The appointment and removal mechanisms and term of office. ▪ The remuneration package offered. ▪ Existing corporate governance procedures. ▪ Insurance/indemnification/exemption coverage. ▪ Term of appointment, mechanisms for termination 	<ul style="list-style-type: none"> ▪ You need to disclose to the company any information which turns you legally incapable of being appointed as a director. ▪ If you are expected to be appointed as an “External Director” – please: <ul style="list-style-type: none"> ▪ Confirm that you are eligible to serve as such. ▪ Provide to the company any information establishing your eligibility to serve as a director having accounting and financing expertise or professional expertise. ▪ Map any actual and/or potential conflict (business, commercial or otherwise) that you may have in connection with your proposed service as a director. ▪ You should inspect the company’s remuneration policy and your proposed remuneration package (if you are to be appointed as an External Director – please be aware that your remuneration will be capped under applicable regulations). ▪ You should understand the company’s business and consider your potential contribution to the Board of Directors (the “Board”). 	<ul style="list-style-type: none"> ▪ Persons lacking legal capacity and persons who are subject to outstanding bankruptcy proceedings may not be appointed as directors in any Israeli company, private or public. ▪ Persons who have been convicted in felonies such as fraud, falsification of documents, embezzlement etc., or were expressly banned from serving as directors by a competent court may not serve as directors in a publicly traded company (and in a private company which debentures are publicly traded – a “Bonds Issuer”). ▪ A person who considers being appointed as a director in a publicly traded company or a Bonds Issuer needs to have the requires skills and sufficient time required for the adequate performance of a director’s duty, taking into account, among others, the company’s special needs and its size. ▪ Publicly traded companies and Bonds Issuers need to appoint at least two “External Directors” (i.e., directors having no commercial, financial and/or other linkage to the company in questions and/or to its controlling shareholder/s – at the time of appointment and in the preceding two-year period). ▪ An External Director needs to have either an accounting and financial

			<p>expertise or professional expertise. If you are to be appointed as an External Director – make sure that you qualify as such.</p> <ul style="list-style-type: none"> ▪ External Directors need to be Israeli residents (yet – if the appointing company is listed out of Israel or if a portion of its securities was issued out of Israel, then a foreign resident may also be appointed as an External Director). ▪ In general, the appointment mechanism, and term of office of directors may be set by each company as it may see fit. In practice, directors may be appointed by the controlling shareholder/s, by shareholders holding certain percentage of a company's shares, by the majority of the shareholders of a company, voting in a general meeting or in any other manner specified in the relevant company's Memorandum of Incorporation and/or Articles of Association. A company's Articles of Association may authorize the Board of Directors to fill any vacancy in the Board, by appointing a director, whose appointment will usually expire at the next shareholders' meeting. ▪ External Directors are to be appointed by the company's general meeting, provided that: (i) a majority of the participating (i.e. attending and not abstaining) votes of company's shareholders who are neither controlling shareholders of the company, nor having personal interest
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			<p>in such appointment have voted in favor of such appointment or (ii) not more than 2% (or any other percentage set by the Minister of Justice) of the aforesaid participating votes who are neither controlling shareholders of the company, nor having personal interest in such appointment have voted against such appointment (such requirements shall be referred to herein as "Required Majority").</p> <ul style="list-style-type: none"> ▪ The term of appointment of External Directors is fixed to three years, renewable for two consecutive periods of three years each, provided that he or she are still eligible to be appointed as External Directors and provided that: (i) the Board has proposed such renewal and the renewal was approved by the Required Majority. or (ii) a shareholder holding at least 1% of the company's shares has proposed such appointment and the shareholders meeting has approved such renewal – by a Required Majority. or (iii) the External Director has proposed the extension of his tenure and the renewal was approved by the Required Majority. External Directors serving in publicly traded companies listed (either on a dual listing basis, or exclusively) in the US may serve for an unlimited number of three-year periods. ▪ Directors' remuneration packages are subject to the approvals of the company's Remuneration Committee, the Board and the Shareholders
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			<p>Meeting (in this order), in accordance with the company's then-applicable remuneration policy (the Remuneration Committee, the Board and the Shareholders Meeting may, under special circumstances, approve a director's remuneration packages which are not within the framework set by the then-prevailing remuneration policy, provided that: (1) such package has been shaped, inter alia, based on the following considerations: (i) the promotion of the company's goals, work plan and policy, on a long-term basis. (ii) the creation of worthy incentives to officers of the company, taking into account, inter alia, the company's risk management policy. (iii) the company's size and its nature of operations. (iv) in case of employment and service conditions which include variable components - the officer's contribution to achieving the company's goals and profit maximization, all in a long-term perspective, and according to the role of the respective officer. (2) such approval was granted with reference to the following matters: (i) the director's education, qualifications, expertise, professional experience and achievements. (ii) the director's role, responsibilities and previous wage agreements signed with him or her. (iii) the ratio between the service costs incurred in relation to the services of such director and the employment costs related to the employment of</p>
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			<p>other employees employed by the company, and in particular the ratio of the average wage and the median wage of such employees and the impact of the disparity between them on labor relations in the company, (iv) provisions regarding variable components and employment conditions (which are specified in the Companies Law) were set forth in such remuneration package, and (v) provisions regarding employments conditions and retirement grants. The remuneration package of a controlling shareholder or of a relative thereof is subject to stricter approval procedures, which require also a Required Majority.</p> <ul style="list-style-type: none"> ▪ It is strongly advised (both to the company and to the directors) that in addition to conducting the required corporate approval mechanisms, the company and its directors (excluding External Directors whose terms of office are governed by law) shall execute service agreements covering all aspects of directors' service (including, in addition to financial remuneration, indemnification, immunity and insurance, issues such as termination at will, notice period, confidentiality, non-competition and non-solicitation) <p>Corporate Governance</p> <ul style="list-style-type: none"> ▪ Make sure that adequate corporate governance procedures are in place to ensure you can perform your tasks as a
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			<p>director and that you are protected (See also Section 21 below).</p> <ul style="list-style-type: none"> ▪ Make sure that the company has adequate exemption, indemnification and insurance arrangements, covering its directors' and officers' liabilities (See Sections 15-17).
2. People to meet with	<ul style="list-style-type: none"> ▪ The controlling shareholder (if there is such) ▪ CEO/CFO ▪ Other directors (especially the chairperson of the Board and chairpersons of committees in which you are expected to serve) and recently retired directors ▪ Senior management ▪ Auditor ▪ Company lawyer 		<ul style="list-style-type: none"> ▪ Obtain a briefing of the history and strategy of the company. ▪ Understand major drivers of performance and key performance indicators. ▪ Get background on other directors and key members of the management team. ▪ Understand relationship and roles within management team. ▪ Understand who the key suppliers or costumers are. ▪ Understand status of labor relations. ▪ Obtain an industry briefing. ▪ Get auditor's input and perception on historical accounts and disclosure issues. ▪ Understand key legal issues, any past or current litigation and issues with compliance and regulators.
3. Documents to review	<ul style="list-style-type: none"> ▪ Company's Memorandum of Incorporation/Articles of Association/shareholders agreements. ▪ Shareholders' and Board papers and minutes for the preceding period. ▪ The company's remuneration policy. ▪ Annual/periodical reports made by the company. ▪ Public announcements made as per the requirements of the Israeli Securities 		<ul style="list-style-type: none"> ▪ Have any abnormal losses been explained ? Review accounts for trends. ▪ Review accounts for trends. ▪ Review Memorandum of Association/Articles of Association/shareholders agreements for any restrictions on your power as a director or any shareholder specific

	<p>Authority ("ISA")/other applicable securities agencies (in case of dual listing or listing out of Israel) for the preceding period.</p> <ul style="list-style-type: none"> ▪ Press releases for the preceding period. 		<p>provision, such as a power to veto Board decisions.</p> <ul style="list-style-type: none"> ▪ Review Board papers, minutes, company announcements to get a feel for current issues/disputes.
Ongoing duties			
4. Points for attention	<p>Think About:</p> <ul style="list-style-type: none"> ▪ The information that has been provided to you by the company, and the quality of that information, ▪ The information that you have obtained from independent sources, and how it compares with the information provided by the company. ▪ Whether there are any gaps in the information you have been provided or you have obtained. ▪ Your impressions of the company's team of officers and advisers. 		<p>In particular, watch out for:</p> <ul style="list-style-type: none"> ▪ The dominant director/s – does any of the directors or officers exercise undue control over the company's assets or affairs? ▪ Inactive non- executive director/s- do the non- executive director/s act as a check on the actions of managements and executive directors? ▪ Material disagreements within the Board: allegations made by Board members with regard to the malperformance of management or other members. ▪ Frequent or recent resignations of directors from the Board – whether based on "personal reasons" or otherwise. ▪ Inadequate internal controls – for example, does the Board function effectively, are reporting procedures adequate, are each of the directors and the company's shareholders duly informed about the company's operations and financial status, and are concerns dealt with in a timely and effective manner?
5. Legal status of directors	<p><u>Understand the General Corporate structure:</u> <i>An Israeli company is controlled by three corporate bodies: the general meeting, the</i></p>		

	<p><i>Board (including the Board committees) and the general manager/CEO.</i></p> <ul style="list-style-type: none"> ▪ The general meeting is authorized to: (i) amend the Articles of Association, (ii) increase or decrease the company's share capital, (iv) appoint the company's external auditors, to set their terms of service, and to terminate their service, (v) appoint External Directors (where required), (vi) approve interested parties' transactions and mergers, and (vii) exercise the powers of the Board, if the latter is unable to exercise its powers. ▪ With regard to the Board, see section 7 below. ▪ The general manager is in charge of the on-going operation of the company's matters, under the policy set by the Board. 		
6. Parties to which duties are owed	<ul style="list-style-type: none"> ▪ As per the Companies Law, your duty is to act in the best interest of the company. Yet, in certain (extraordinary) cases, a director may owe a duty of care/trust to other parties. 		<ul style="list-style-type: none"> ▪ The director's duty of trust and care towards the company does not preempt his or her duties towards any other person. While Israeli courts have declined to recognize directors' general duty of care/trust towards the shareholders as a whole/minority shareholders/controlling shareholder(s) – in certain cases the courts did apply such duty, in specific cases.
7. Powers of the board of directors	<ul style="list-style-type: none"> ▪ The Board is authorized to set the company's policy and oversee the general manager's performance of duties. Among other things the Board shall: (i) set the organizational structure and the wage and remuneration policies of the company (to be approved by the shareholders – with the Required Majority), (ii) set the company's 	<ul style="list-style-type: none"> ▪ The Board of a publicly traded company must appoint an Audit Committee, a Remuneration Committee, and a Committee for the Examination of the Financial Statements (in many cases the Audit Committee assumes the roles of such committee) and may appoint additional committees. 	<ul style="list-style-type: none"> ▪ The general residual powers of the company (which are not designated by the applicable law and/or the company's Articles of Association) vest with the Board. ▪ The general manager is appointed by the Board, unless stated otherwise in the Articles of Association.

	<p>operational plans and priorities, (iii) be in charge of the preparation and approval of the company's financial statements, (iv) report to the annual general meeting about the state of the company's matters and about its business results, (v) discuss and approve interested parties' transactions. The Board may also issue securities of the company (within the limits of the company's registered share capital) and may distribute dividends.</p>	<ul style="list-style-type: none"> ▪ If appointed to a Board committee, please make sure that such committee's powers are well defined and that it has the necessary authorizations to perform its tasks. 	<ul style="list-style-type: none"> ▪ The Board of a publicly listed public company and/or of a Bonds Company shall determine the minimum number of directors possessing financial and accounting expertise, whilst considering company's type, size, and the complexity and scope of its activity, and subject to the minimum number of such directors required by law.
<p>8. Duty of loyalty</p>	<p>You are required to perform your duties as a director in good faith and to the best interests of the company:</p> <ol style="list-style-type: none"> 1. You must abstain from any action which creates a conflict of interest between your position with the company and any other role you occupy or any of your personal business. 2. You must abstain from any action which competes with the company's business. 3. You must abstain from exploiting a business opportunity of the company for your, or any other person's, personal gain. 4. You should reveal to the company all information or documents regarding the company's business that came into your possession in connection with your service with the company. 5. You may not be a party to any voting agreement with regard to your votes in the Board. <p>All of such actions shall be collectively referred to as the “Excluded Activities”.</p>		<p>The company may authorize any of the Excluded Activities, provided that all of the following conditions are met:</p> <ol style="list-style-type: none"> 1. The director acted in good faith. 2. the action or its approval does not adversely affect the company's best interests. 3. the director disclosed to the company, within a reasonable time prior to the company's discussion of such matter, the nature of such director's personal interest, including all relevant information or documentation.

<p>9. Duty of care</p>	<ul style="list-style-type: none"> ▪ You are required to exercise your duties with a degree of care that a reasonable person would exercise in similar circumstances. ▪ You are required to apply the same degree of skill that a reasonable director would apply in similar circumstances. ▪ You are required to employ reasonable means to gather relevant information regarding the business aspects of any action brought to your approval or of any action made by you within the course of your duties as a director. 		<ul style="list-style-type: none"> ▪ The appointment of a director with financial and accounting expertise or professional capability does not alter such director's or other directors' liability according to any applicable law. ▪ For the purpose of performing his/her duties, a director is entitled to review company's documents and to receive professional advice from external experts at the expense of the company.
<p>10. Duty to have and maintain skills</p>	<ul style="list-style-type: none"> ▪ A director should possess a set of skills which is higher than those of a reasonable person. ▪ See Section 1 hereto for further discussion on conditions and criteria for directors having financial and accounting expertise and professional skills. 	<ul style="list-style-type: none"> ▪ a director of a listed public company should have the necessary skills and ability to devote the proper time to perform his responsibilities as director, considering, among other things, the company's needs and size. 	
<p>11. Additional duties (confidentiality, etc.)</p>	<ul style="list-style-type: none"> ▪ It follows from the duty of loyalty that you are obliged to maintain confidentiality of all the confidential information and facts, the disclosure of which to third parties could cause damage to the company (including the company's trade secrets and know how). <p>Furthermore, you have to:</p> <ul style="list-style-type: none"> ▪ Avoid from taking any action or assuming any position which may put you in a conflict of interest between your position in the company and any other 		<p>The company may approve any of the actions which may amount to breach of such restriction, provided that:</p> <ul style="list-style-type: none"> ▪ You acted in good faith and such action and/or the approval thereof are not in contradiction to the interests of the company. ▪ You have disclosed the company, in a timely manner, your personal interests in such action, including any relevant fact and/or document.

	<p>position or occupation or your personal interest.</p> <ul style="list-style-type: none"> ▪ You should avoid any action which may amount to a competition with the company's business. ▪ You should not exploit any business opportunity of the company for your own benefit (or for the benefit of any other third party). ▪ You should inform the company and provide it with any document related to the company's business which came into your possession in connection with your position in the company. ▪ If you become aware of any matter which may amount to infringement of applicable law and/or of adequate business management by the company you should act immediately to convene a board meeting. 		<p>Such approval may require Board, Audit Committee and or shareholders' approval – depending on the nature and materiality of such action</p> <p>A breach of your duties of loyalty will amount to breach of contract.</p> <p>A company may annul any action taken by an officer vis-à-vis a third party or claim from such third party the damages due to it from such officer, if such third party knew that the officer acted in breach of trust and knew, or should have known, that such officer did not receive the required corporate approvals for doing so.</p>
<p>12. Delegation of powers/authority</p>	<ul style="list-style-type: none"> ▪ Under certain (extraordinary) circumstances the Board may assume the responsibilities of the general manager and the general meeting may assume the responsibilities of the Board. ▪ The Board may delegate some (but not all) of its powers and authorities to Board Committee (provided that any Board committee to which certain powers of the Board were delegated shall consist of directors only). ▪ The Board may establish advising committees (which may consist also of non-directors). ▪ The Board may not delegate the following powers: <ul style="list-style-type: none"> ▪ Setting the company's general policy. ▪ Distribution of assets/dividends. 	<ul style="list-style-type: none"> ▪ The chairman of the Board of a publicly traded company may also serve as the general manager of a company (for periods not exceeding three years each, provided that such dual capacity has been approved by a Required Majority the general meeting). 	<ul style="list-style-type: none"> ▪ The Board may instruct the general manager in a certain matter, and if he or she does not comply the Board may exercise the powers required to carry out such directive. ▪ The Board may cancel resolutions passed by a Board committee, but such cancellation shall not affect a third party who relied upon such resolution and was unaware of its cancellation.

	<ul style="list-style-type: none"> ▪ Forming the Board's position with regard to matters which require the shareholders' meeting's approval, including the Board's recommendations with regard to an outstanding tender offer. ▪ Appointment of directors – if the Board is authorized to appoint such (co-optation). ▪ Issuance of shares or convertible securities (other than options under an option plan or shares issuable upon the exercise of such options). ▪ Approval of financial statements. ▪ Approval of actions and/or transactions which require Board approval. <p>▪ The company's Articles of Association may provide that additional powers of the Board may not be delegated.</p>		
13. Conflicts of interest (inc. intragroup dealings)	<ul style="list-style-type: none"> ▪ You should abstain from voting and/or participating in Board meetings when having a personal interest in any of the matters on the agenda of such meeting. ▪ You should disclose your personal interest in a timely manner, and in any case no later than the meeting of the Board in which the transaction is first discussed. 	<p><u>You should disclose to the company:</u></p> <ul style="list-style-type: none"> ▪ Your relevant interest in the securities of the company and its related companies. ▪ Your personal interest in any transaction of the company. ▪ Any new interest or change to your existing interest. 	
14. Compliance with statutory obligations	<ul style="list-style-type: none"> ▪ As a director of the company your acts and omissions may be attributable to the company and vice-versa. Thus, you should act with the due care of a prudent manager. ▪ Your failure to ensure the company's compliance might lead to the liability 		

	<p>for any harm incurred by the company resulting hereof.</p> <ul style="list-style-type: none"> ▪ Bear in mind that even you appoint an alternate director you shall still be deemed liable for his or her acts and omissions. ▪ You should avoid any actions which may amount to insider trading. 		
15. Disclosure obligations of listed companies	<p>A company has disclosure obligations relating to:</p> <ol style="list-style-type: none"> 1. Preparing and lodging annual and quarterly- reports. 2. Any price-sensitive information that the Israeli Securities Authority required the company to disclose. 3. Any error in the company's financial statements. 4. The conclusion of any share issuance plan. 5. Change in the company's registered and issued share capital. 6. Change in the company's details (name, address, phone no., E-mail address, corporate documents and, shareholders' register). 7. Submission of court proceedings concerning oppression of the company's shareholders or an arrangement among the company's shareholders and/or creditors. 8. Submission of the company's request for the approval of distribution of assets by the company. 9. Board resolutions regarding a merger. 10. Submission of motions for the liquidation, appointment of a receiver, liquidator, special 	<p>You may incur civil liability for a breach by your company of these disclosure obligations (Section 52k of the Securities Law)</p> <ul style="list-style-type: none"> ▪ 	

	<p>administrator with regard to the company and/or its assets.</p> <ol style="list-style-type: none"> 11. The company's resolution to purchase its own shares. 12. The grant of options or warrants by the company. 13. Change in the holdings of interested parties. 14. Termination and/or appointment of office holders of the company. 15. Termination or appointment of the external auditor of the company. 16. Any other substantial event which may substantially affect the company and/or the price of its shares. 17. Matters related to general meetings of the company. 		
16. Potential liability	<ul style="list-style-type: none"> ▪ Directors and officers may be held liable for criminal and administrative offences of the Company (e.g., with regard to fiscal, environmental, and labor laws), unless they can demonstrate that they took all measures to prevent such unlawful acts or omissions. ▪ Directors and officers may also be held personally liable under civil laws, including tort laws and contract law. 	The directors are liable towards any purchaser or seller of securities of the company, for damages caused to them due to a misleading detail including in a prospectus.	<ul style="list-style-type: none"> ▪
17. Duration of duties	<ul style="list-style-type: none"> ▪ The term of a director's tenure is set in the company's Articles of Association and may vary from one company to another. ▪ The tenure of External Directors is set by law. 		

	<ul style="list-style-type: none"> ▪ Directors' confidentiality duties survive the termination or expiration of their office/ 		
Special circumstances			
18. Bankruptcy	<ul style="list-style-type: none"> ▪ When the company is in financial difficulty and there is a risk of insolvency, directors should act on an informed basis and in the best interest of the company, but also considering the creditors interests and rights. ▪ Where a director or general manager know or should know that the company is insolvent, he or she should take reasonable measures to limit the scope of such insolvency. ▪ A director or a general manager who have taken any or all of the following steps shall be deemed as having taken reasonable measures to limit the scope of such insolvency t <ul style="list-style-type: none"> ▪ Receipt of advice or assistance from insolvency experts. ▪ Negotiation with the company's creditors, in order to reach debt settlement. ▪ Initiation of bankruptcy procedures. ▪ A court may hold that a director or general manager who has not taken reasonable measures to limit the scope of such insolvency shall be liable to the company for the damages caused to the company's creditors due to such director's omission. ▪ A company may not excuse a general manager or a director from such duties and/or indemnify him or her for losses or damages incurred in such cases. 		

	<ul style="list-style-type: none"> ▪ A director who can establish that he or she reasonably relied in good faith on information showing that the company is not in insolvency shall not be held liable for failure to act as aforesaid. ▪ An officer who knowingly participated in the fraudulent management of a company prior to the initiation of bankruptcy proceedings may be held liable for damages caused by such fraudulent management and may be disbarred from serving as a director for a period of up to five years. 		
<p>19. Takeover bids</p>	<ul style="list-style-type: none"> ▪ Merger of a company with another company requires the approval of the Board and shareholders meeting of each of the merging companies. ▪ The Board of a company which considers the approval of a potential merger should discuss and resolve whether there is a reasonable likelihood that as a result of such merger the surviving company may not fulfill its undertakings to its creditors. ▪ In case that a person (the "Offeror") submits a tender offer to purchase a company's shares, as a result of which the Offeror shall hold at least 25% of the shares of a company (where no other shareholder, or group of shareholders of the company acting in concert hold at least 25% of the shares of such company) or more than 45% of the shares of such company (where no other shareholder, or group of shareholders of 		<ul style="list-style-type: none"> ▪ As noted above, directors owe various duties to the company and to its shareholders in the ordinary course of the company's activity. ▪ Having said that, a greater exposure (and a greater risk) lies in case of extraordinary events, beyond the company's ordinary scope of business (e.g., merger, takeovers/tender offers and winding-up). ▪ In such extraordinary circumstances, directors are more susceptible to claims made by shareholders, creditors and even "unrelated" parties (e.g., offerors).

	<p>the company acting in concert holds more 45% of the shares of such company) the Board is required to opine on the advisability of such offer, or abstain from doing so, if it is unable to form such opinion, provided that it shall specify the reasons for such abstention. The Board shall submit such opinion (or its reasons for not providing same) to the offerees.</p> <ul style="list-style-type: none"> ▪ The Board should disclose any personal interest that any of its members has in the tender offer or in the results thereof. ▪ An officer (including a director) of a target company may negotiate with the Offeror in order to improve his/her/its offer and may negotiate with third parties the submission of competing tender offers. ▪ Subject to the aforesaid exceptions, an officer of a target company who acts, within the scope of his or her duties as an officer of such company, to hinder any potential or actual tender offer or to reduce the probability of the success thereof, shall be liable to the Offeror and to the offerees for any damages caused to same due to his or her actions, unless such officer acted in good faith and had reasonable grounds to assume that his or her actions were for the benefit of the company. ▪ In case of a voluntary winding-up of a company, and as a precondition to the classification of such voluntary winding-up as a "voluntary winding-up of a solvent company" (which enables the shareholders of the company in 		
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	<p>question, as opposed to its creditors, the competent court or a liquidator appointed by the competent court, to control such winding-up), the Board of such company must convene and at least a majority of its members should confirm (and sign an affidavit confirming) that the company's assets are sufficient for the repayment of the company's debts as of the date of such Board's meeting and for a period of 12 months thereafter.</p> <ul style="list-style-type: none"> ▪ As part of a liquidation process, the court or the company's liquidator may investigate the company's officers and employees and may examine the company's records. ▪ If such investigation and/or examination reveals any wrongdoing of the company's officers or employees (e.g., embezzlement, conduct of the company's business in a fraudulent manner, fraudulent conveyances, alteration or falsification of records, etc.) the court may impose personal civil liability on the officers involved and same may be also subject to criminal liability (imprisonment and fines). 		
<p>20. Market abuse/insider dealing</p>	<ul style="list-style-type: none"> ▪ See items 8, 11 and 13. ▪ A director is prohibited from using and/or sharing any inside information for the purpose of the trading in the company's securities. ▪ Failure to do so may result in criminal, administrative and civil sanctions. 	<p>It is advisable that you read the decisions of the Israeli Securities Authority on inside trading and safe harbor guidelines.</p>	<ul style="list-style-type: none"> ▪ Under the definition of the Securities Law, a director of the company is considered an insider. ▪ An insider who makes use of inside information (as such term is defined in the Securities Law), shall be liable to five years imprisonment or to a fine as specified in the law.

			<ul style="list-style-type: none"> ▪ Please note that in certain circumstances, the Securities Law provides defenses against criminal liabilities. ▪ If profits occur as a result of use of inside information, the company in respect of whose securities were affected may claim it from the insider person. <p>Presumption of inside trading:</p> <ul style="list-style-type: none"> ▪ If a Principal Insider in a company buys securities of the company, within three months after the day on which he or she sold such securities, or if he or she sells the securities within three months from the day on which he bought them, the foregoing shall constitute prima facie evidence that he made use of inside information at the time of sale or purchase.
Defences			
21. Good corporate governance	<p>The company's (and your personal) exposure may be mitigated if the company adopts and implements proper governance procedure, referring, inter alia, to:</p> <ol style="list-style-type: none"> 1. The adequacy of the structure and composition of the Board. 2. The function and roles of the Board, its committees and the directors. 3. Transparency and availability of information. 4. Decision making procedures. 		<ul style="list-style-type: none"> ▪ Structure and composition - consider the size of the Board, the variety of skills, the proportion of executive and independent directors, the Board committees and the number of directors having financial and accounting expertise and or professional skills. ▪ The function and roles of the Board, the Board committees, and the company's officers- the main tasks, the level of involvement and the relationship with the management.

			<ul style="list-style-type: none"> ▪ Process and practices - meeting practices, decision making process, reporting lines and process for evaluating should be understood. ▪ Information system - formats for monthly reports and minutes, mechanisms for director's access to information and key performance indicators should be clearly defined.
22. Minutes of board meetings and publication requirements	<ul style="list-style-type: none"> ▪ Read the minutes of the Board meetings (whether you attended them or not). Make sure that such minutes reflect the meetings (directors attending, invitees, resolutions passed, opinions voiced) in a fair and compressive manner, and comment – if not. ▪ Know your voting rights (including veto rights) as set forth in the Articles of Association. ▪ Make sure that the minutes are duly kept and disseminated by the company. 		
23. Discharge and Indemnification	<ul style="list-style-type: none"> ▪ Make sure that the company's Articles of Association allow the company to exculpate the directors and indemnify them. <p><u>Exemption:</u></p> <ul style="list-style-type: none"> ▪ Ask the company to provide you with an exemption from your responsibility toward the company for damages resulting from a breach of your duty of care. <p><u>Indemnification</u></p> <ul style="list-style-type: none"> ▪ Ask the company to grant you an indemnification letter, which provides 		<p><u>Exemption and Discharge:</u></p> <ul style="list-style-type: none"> ▪ Under the Companies Law, a company is authorized to release (in full or in part) its directors and officers from liability to any damages caused by such directors and/or officers due to their breach of their duty of care ▪ to the company. Such exemption may not apply, however, to breach of duty of care with regard to distribution of dividends/assets. <p><u>Indemnification:</u></p> <ul style="list-style-type: none"> ▪ The scope of the indemnification arrangements set forth herein is based on the authorized

	<p>you with indemnification for liabilities incurred in your capacity as a director of the Company, with regard to the following circumstances:</p> <ol style="list-style-type: none"> 1. Financial liability toward another person due to a court ruling (including a ruling which confirms an arbitrator's ruling or a court ruling by way of compromise). 2. Reasonable litigation expenses, including legal fees, resulting from a procedure held against you. 3. Reasonable legal expenses, including legal fees, resulting from an investigation or proceeding held against you by a competent authority, provided that such investigation or proceeding has ended without the filing of an indictment and without the imposition of financial liability in lieu of a criminal proceeding, or has ended in the imposition of a financial obligation in lieu of a criminal proceeding for an offence that does not require proof of criminal intent. 4. Reasonable litigation expenses, including legal fees, which you incurred or are obliged to pay by the court in proceedings commenced against you by the company or in its name or by any other person, or pursuant to criminal charges of which you are acquitted or criminal charges pursuant to which you are convicted of an offence which does not require proof of criminal intent. 		<p>indemnification framework – under the Companies Law.</p> <ul style="list-style-type: none"> ▪ Such indemnification undertaking may be provided ex-ante or ex-post-factum. Ex-ante indemnification undertaking is subject to more restrictive provisions.
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24. Insurance	<ul style="list-style-type: none"> ▪ Review the directors' insurance policy in order to see whether it covers you for breach of the following duties: <ol style="list-style-type: none"> 1. Duty of care towards the company or any other person. 2. Duty of trust toward the company, provided that you acted in good faith and had a reasonable ground to assume that such action will not be contrary to the company's best interests. 3. Financial liability towards a third party. 		<ul style="list-style-type: none"> ▪ The scope of the insurance arrangements set forth herein is based on the authorized insurance framework – under the Companies Law.
25. Resignation	<p>You may resign by submitting your letter of resignation to the Board. Your resignation shall enter into effect upon the date of submission of the resignation letter, unless you have set a later date in your said letter.</p>		<ul style="list-style-type: none"> ▪ You should set forth the reasons for your resignation in the said letter. ▪ It is advised that you make sure that proper, prompt and accurate notice of your resignation is released and/or submitted by the company. ▪ It is advised that you make sure that the company maintains a Run-Off insurance policy, covering your potential liability for acts and omissions performed during your service as a director.
26. Restructuring of assets	<ul style="list-style-type: none"> ▪ See item 18 above – with regard to restricting of assets in the course of insolvency proceedings. ▪ The Companies Law also allows a settlement or compromise which are not governed by the Insolvency Law. 		

	<ul style="list-style-type: none"> ▪ The Israeli law does not impose any specific requirements and/or liabilities in connection with such proceedings, and the general powers and liabilities of directors apply here as well. 		
27. ESG and D&I policies, metrics, reports	<p>As of now, there are no specific requirements with regard to ESG reporting and policies. Having said that, the Israeli law included extensive provisions with regard to equality, integration of persons with disability in the work force, accessibility, environmental compliance, etc. It is advisable that you consult with the company's general manager and/or legal counsels in order to understand the applicable provisions and ascertain that the company is in compliance with same.</p>		<p>In April 2021 the Israeli Securities Authority issued a proposed outline for voluntary disclosure of ESG-related matters.</p> <p>In January 2022 the Tel-Aviv Stock Exchange (the "TASE") issued a consultation paper with regard to the proposed requirement that big corporations will issue an ESG report (in English), with regard to the addition of ESG-based indexes and with regard to equal representation of women in boards of directors. The public comment to such consultation is yet to be considered by the TASE.</p>