

**THE FIRST INTERNATIONAL BANK OF ISRAEL LTD**

**A PUBLIC COMPANY**

**ARTICLES OF ASSOCIATION**

**APPROVED IN FULL AT GENERAL MEETING OF 29.6.04**  
**CORRECTED AT GENERAL MEETING OF 24.6.10**  
**CORRECTED AT GENERAL MEETING OF 29.11.11**  
**CORRECTED AT GENERAL MEETING OF 28.12.11**  
**CORRECTED AT GENERAL MEETING OF 23.2.17**  
**CORRECTED AT GENERAL MEETING OF 30.10.17**

**ARTICLES OF ASSOCIATION**  
**OF**  
**THE FIRST INTERNATIONAL BANK OF ISRAEL LTD**

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# ARTICLES OF ASSOCIATION

OF

IN HEBREW: HABANK HABENLEUMI HARISHON LEYISRAEL BM

AND IN ENGLISH: THE FIRST INTERNATIONAL BANK OF ISRAEL LTD

## Chapter A – General

### Introduction and interpretation

1. In these articles of association, the expressions appearing in this sub-article shall bear the meanings set forth alongside them, unless the context otherwise requires, or the articles provide otherwise:

**“shareholder”** – anyone registered as a shareholder in the Company’s shareholders’ register and any shareholder within the meaning thereof in the Companies Law;

**“the legislative arrangement”** or **“the law”** – all laws, provisions, procedures and approvals governing the Company from time to time;

**“the Company”** – the above named company or, in the event of a change of name in accordance with the Law, under its new name;

**“the Law”** or **“the Companies Law”** – the Companies Law, 5759-1999, as amended from time to time, or any other law replacing it, as well as the regulations promulgated pursuant thereto;

**“the stamp”** – the Company’s rubber stamp;

**“administrative proceeding”** – a proceeding pursuant to chapters 8’3 (Imposition of a financial sanction by the Securities Authority), 8’4 (Imposition of administrative enforcement by the Administrative Enforcement Committee) or 9’1 (Agreement for avoidance of commencement of proceedings or discontinuance of proceedings subject to conditions), of the Securities Law, as from time to time amended; and a proceeding in accordance with chapter 7’1 (Imposition of a financial sanction by the Authority), 7’2 (Imposition of administrative enforcement by the Administrative Enforcement Committee) or 8’1 (Agreement for avoidance

of commencement of proceedings or discontinuance of proceedings subject to conditions), of the Advice Law, as from time to time amended; and  
a proceeding in accordance with chapter 10 (Imposition of a financial sanction by the Authority), 10'1 (Imposition of administrative enforcement by the Administrative Enforcement Committee) or 11'1 (Agreement for avoidance of commencement of proceedings or discontinuance of proceedings subject to conditions), of the Mutual Investments Law, as from time to time amended; and  
a proceeding for the imposition of a financial sanction in accordance with section D of the fourth chapter of the ninth part of the Companies Law, as from time to time amended; and  
a proceeding for the imposition of a financial sanction in accordance with the Supervision of Insurance and Supervision of Provident Funds Law, as from time to time amended; and  
a proceeding in accordance with chapter 7'1 of the Restrictive Trade Practices Law, as from time to time amended; and  
any additional administrative proceeding pursuant to which in accordance with law indemnity may be granted in respect of payments connected therewith or expenses expended in connection therewith.

**“the secretary”** – the person appointed pursuant to the articles as the Company's secretary or the person appointed to temporarily fill the secretary's place pursuant to the articles;

**“the office”** – the Company's registered office pursuant to article 10, as shall be from time to time;

**“the Ordinance”** – the Companies Ordinance (New Version), 5743-1983, as amended from time to time, or any other law replacing it, as well as the regulations promulgated pursuant thereto;

**“the memorandum”** – the Company's memorandum of association;

**“the articles”** – the Company's articles of association as in force from time to time;

**“the Restrictive Trade Practices Law”** – the Restrictive Trade Practices Law, 5748-1988, as from time to time amended;

**“the Advice Law”** – the Carrying on Business of Investments Consulting, Marketing of Investments and Investment Portfolio Management Arrangement Law – 1995, as may from time to time be amended.

**“the Insurance Supervision Law”** – the Financial Services (Insurance) Supervision Law – 2011, as may from time to time be amended.

**“the Provident Funds Supervision Law”** – the Financial Services (Provident Funds) Supervision Law – 2005, as may from time to time be amended.

**“the Mutual Trust Investments Law”** – the Mutual Trust Investments Law – 1994, as may from time to time be amended.

**“the Securities Law”** – the Securities Law – 1968, as may from time to time be amended.

**“writing”** – writing, print, typewriting, photocopy and any other manner of visibly impressing or writing, including documents transferred as a letter, telex, cable or by facsimile or any other electronic communication means creating a legible copy of the document transferred;

**“the shareholders’ register”** – the register of the Company’s shareholders that must be kept in accordance with the provisions of the Law;

**“Breach Victim”** – as defined in section 5254(A)(1)(a) of the Securities Law for the purpose of of an administrative proceeding pursuant to the Securities Law, the Advice Law or the Mutual Trust Investments, or in the meaning of section 9221 of the Insurance Supervision Law for the purpose of an administrative proceeding pursuant to the Investment Supervision Law, or the Provident Funds Supervision Law, or any other legislation in respect of which administrative proceedings may be held.

**“special majority”** – a majority of at least three quarters of the votes of all the shareholders participating in a vote at the general meeting or class meeting, and entitled to vote thereat, save for those abstaining;

**“ordinary majority”** – a simple majority of the votes of all the shareholders participating in a vote at the general meeting or class meeting, and entitled to vote thereat, save for those abstaining.

2. Every expression herein that has not been defined in article 1 above shall bear the meaning attributed to it in the Companies Law or the Ordinance, unless the context otherwise admits.

3. Any reference herein to the singular shall include the plural and vice versa;

any reference herein to the masculine gender shall include the feminine gender and vice versa;

any reference to private individuals shall also include corporations, and vice versa.

4. The headings herein are merely for locational convenience and shall not be used in the interpretation hereof.
5. Wherever it is stipulated herein that the provisions of these articles shall apply subject to the provisions of the Companies Law and/or subject to the provisions of any other law and/or the legislative arrangement, the intention is the provisions of the Law and/or the legislative arrangement that may not be qualified, unless the context otherwise admits.
6. The declaration of any article or part thereof as invalid, illegal or unenforceable for any legal cause shall not howsoever affect the validity, legality or enforceability of the other articles hereof.

### **The Company's name**

7. The Company's name is:

in Hebrew: **Habank Habenleumi Harishon Leyisrael BM;**

and in English: The First International Bank of Israel Ltd.

### **Limitation of shareholders' liability**

8. In accordance with the provisions of the memorandum, the liability of the Company's shareholders shall be limited to the amount each of them has not yet paid for his shares.

### **The Company's objects**

9. The Company's objects are as set forth in its memorandum of association.

### **The registered office**

10. The Company's registered office shall be at the address determined by the board of directors from time to time.

## **Chapter Two – Share Capital**

### **Authorized share capital**

11. The Share capital of the Company is NIS 17,500,000 (seventeen million five hundred thousand new shekels), divided into 350,000,000 (three hundred and fifty million) ordinary shares of NIS 0.05 each.

## **The shares**

12. Subject to the provisions of the articles and so long as not duly resolved otherwise, the ordinary shares shall vest their holders with the right to be invited to and participate in all the Company's general meetings and the right to one vote in respect of each ordinary share held by them, as well as the right to participate in a distribution of the Company's profits and/or assets, bonuses and rights, including during its winding up, pro rata to the nominal value of each share, from all the shares entitled to dividend and/or other rights, without having regard to any premium paid.
13. The ordinary share shall carry equal rights and rank equally (*pari passu*) for all intents and purposes.
14. The provisions of these articles regarding general meetings shall apply, *mutatis mutandis*, to any class meeting, if and insofar as the share capital is divided into various classes of shares. In addition to any provision of the articles regarding the Company's meetings, the quorum required for a meeting as aforesaid shall be at least one or more persons or their proxies holding two thirds of the issued shares of such class, or one third – at an adjourned meeting.

## **Allotment of shares**

15. All the unissued shares constituting part of the share capital, whether original or increased, shall be under the control of the board of directors, which may from time to time allot them or otherwise transfer them to such persons, on such terms, for such consideration (in cash or otherwise) that shall be payable at such times as prescribed by it at the time of their allotment or prior thereto and in accordance with any other term, at a premium, at their nominal value or at a discount on their nominal, in the board of directors' discretion.
16. Having regard to the provisions of the Law and these articles and without prejudice to the rights attached to the Company's existing shares, new shares shall be issued on such terms and with such rights attached to them as determined by the board of directors discussing their issue. These shares may be with preferred rights, deferred rights, restricted rights or special rights in connection with the distribution of dividend, participation and voting at general meetings, general or optional redemption, participation in the surplus assets or any other right.
17. The new shares mentioned in articles 15 and 18 shall be subject to such provisions regarding calls for payment, lien, transfer, charge, forfeiture or any other matter as apply to the shares in the original share capital, unless the new shares' issue terms otherwise prescribe.



## Alterations to capital

18. The Company may, in a resolution passed at a general meeting by a special majority:
  - 18.1 increase the Company's authorized share capital by such classes of shares as it determines;
  - 18.2 increase its share capital by creating new shares in such amount as it deems beneficial;
  - 18.3 consolidate and re-divide all or part of its share capital into shares of a nominal value greater or smaller than the values of its existing shares;
  - 18.4 cancel shares that as at the date of such resolution have not been taken or that nobody has agreed to take and thereby reduce its share capital by the amount of the shares cancelled, subject to the provisions of the Law;
  - 18.5 alter and/or add classes of shares in accordance with the provisions of these articles;
  - 18.6 reduce its share capital in such manner, on such terms and subject to such approvals as prescribed in the legislative arrangement;
  - 18.7 for the purpose of implementing any decision as aforesaid, the board of directors may settle any difficulty arising as it deems fit and *inter alia* it may issue certificates in the names of a number of shareholders that shall include the share fractions due to them.

Without derogating from the board of directors' power as aforesaid, if as a result of the consolidation there are shareholders the consolidation of whose shares leaves fractions, the board of directors may, with the approval of the general meeting obtained by the said majority:

- 18.7.1 sell all the fractions and for such purpose appoint a trustee in whose name the share certificates including the fractions to be sold shall be issued, and the consideration received less commission and expenses shall be distributed amongst those entitled thereto; or
- 18.7.2 allot to any shareholder who is left with a fraction as a result of the consolidation, fully paid up shares of the class held by him prior to the consolidation, in such number the consolidation of which with the fraction would suffice for one full consolidated share, and an allotment as aforesaid shall be deemed valid shortly before the consolidation;

18.7.3 determine that shareholders shall not be entitled to receive a consolidated share in respect of a fraction of a consolidated share, stemming from the consolidation of half or less of the number of shares the consolidation of which creates one consolidated share, and shall be entitled to receive a consolidated share in respect of a fraction of a consolidated share stemming from the consolidation of more than half the number of shares the consolidation of which creates one consolidated share.

In the event that action taken pursuant to sub-paragraphs 18.7.2 or 18.7.3 above obliges the issue of additional shares, they shall be paid in the manner in which bonus shares may be paid. Consolidation and distribution as aforesaid shall not be deemed alteration of the rights attached to the shares the subject of the consolidation and distribution.

19. Where any shares are split or merged, the holders of the said shares shall be entitled to participate in all the Company's dividends and profits pro rata to the amounts thereof, and they shall be entitled to such rights as would have been vested by the original shares of an equal nominal value; however, the shares, after they have been split or merged, shall not vest any privileges that would not have been vested by them before they were split or merged had they continued to exist.

### **Alteration of rights**

20. The Company may, in a resolution passed by a special majority at the general meeting cancel, convert, widen, add to or otherwise alter, as it deems fit, the rights, restrictions and provisions attached at such time to the Company's shares.
21. If at any time the share capital is divided into different classes of shares, the Company may, in a resolution passed by a special majority at the general meeting and at a separate meeting of the holders of the shares of such class, convert, widen, add to or otherwise alter the rights attached to such class of shares, unless the issue terms of such class of shares prescribe otherwise.
22. Rights granted to the holders of existing shares of any class shall not be altered by the creation or issue of additional shares, whether the additional shares are issued with preferred rights or in any other way, unless the additional shares' issue terms expressly provide otherwise.

### **Redeemable securities**

23. The Company may from time to time, after passing a suitable resolution, issue redeemable securities and attach to them the rights of shares, including voting rights and the right to participate in profits and to redeem them in accordance with their terms, as prescribed in the resolution.

Redeemable securities shall not be deemed part of the Company's equity, unless the right to redeem them is limited to the case of the Company's winding up after payment of all the Company's obligations to its creditors at the time of winding up. The redemption of securities not considered part of the equity shall not be deemed a distribution.

### **Share certificates**

24. Any person whose name is entered as a shareholder in the shareholders' register shall be entitled to one certificate, in the format determined by the board of directors from time to time, subject to the provisions of any law, free of charge, in respect of all the shares registered in his name, or if the board of directors so approves, after he has paid the amount determined by the board of directors from time to time, to several share certificates, each for one or more of the said shares. The company shall furnish the shareholder with such a certificate within a reasonable time of the date of the allotment or within a reasonable time of the date on which he furnishes the Company with a share transfer deed drawn up as required in these articles.
25. A share certificate shall detail, in relation to the shares in respect of which it was issued, the quantity, class and nominal value of each of them. The board of directors may determine that a certificate as aforesaid shall also detail the serial numbers of the shares, insofar as existing.
26. The share certificate shall be issued having been signed by the Company, as determined by the board of directors. So long as not otherwise prescribed by the board of directors, the share certificates shall be issued bearing the signature of two directors or of one director and the Company's secretary.
27. Where a share or shares are jointly held by a number of people, the Company need not issue more than one certificate in respect of such share or shares, and the delivery of a certificate as aforesaid to one of the joint shareholders shall be deemed delivery to all of them.
28. Where a shareholder has transferred some of the shares registered in his name that are included in one share certificate, he shall be entitled, free of charge, to a certificate in respect of the balance of such shares.
29. Where a share certificate has become worn or blurred, the board of directors may, after the said certificate has been presented and returned to the Company, order the cancellation thereof, and issue a new certificate in its stead against

the payment of such fee as determined by the board of directors from time to time.

30. Where a share certificate has been lost or destroyed, the board of directors may, after such has been proved to its satisfaction, and after the Company has been given such indemnity undertaking and/or collateral as it deems fit, in respect of any possible damage, issue a new share certificate in its stead to the person entitled to the certificate that has been lost or destroyed, against the payment of such fee as determined by the board of directors from time to time and against the payment of such additional sum as determined by the board of directors to cover all the expenses incurred by the Company in examining the evidence of the loss or destruction as aforesaid.
31. A certificate issued as aforesaid shall serve as *prima facie* proof of the title of the shareholder mentioned therein to the shares included therein.

### **Payments for shares**

32. All the shares in the Company's issued capital shall be fully paid up.

### **Transfer and transmission of shares**

33. Subject to any of the provisions of the articles, or the issue terms of any class of shares, the Company's shares may be transferred. A share transfer deed shall be signed by the transferor and the transferee and by witnesses to the signatures of the transferor and the transferee, and shall be delivered to the Company at its registered office. The board of directors may prescribe the type of witnesses who may witness the signature on a share transfer deed.
34. The transferor shall continue to be deemed, for all intents and purposes, the holder of the shares being transferred, until the transferee's name is duly entered in the shareholders' register, provided that the Company is given a signed transfer deed, together with the share certificates, if any, and any other document required by the board of directors in connection with the transfer, and provided that the required fee is paid, in accordance with the provisions of these articles.
35. The Company shall be entitled to collect payment to cover the transfer registration expenses in such sum as determined by the board of directors from time to time.
36. Share transfer deeds shall be drawn up in the following form or in a form as similar thereto as possible or in another ordinary and customary form approved by the board of directors:

“I the undersigned \_\_\_\_\_ ID  
 \_\_\_\_\_ of \_\_\_\_\_ (hereinafter  
 referred to as **“the transferor”**), in consideration for the sum of NIS  
 \_\_\_\_\_ that was paid to me by  
 \_\_\_\_\_ ID \_\_\_\_\_ of  
 \_\_\_\_\_ (hereinafter referred to as **“the transferee”**)  
 hereby transfer to the transferee \_\_\_\_\_ (1) shares  
 \_\_\_\_\_ (2) of NIS \_\_\_\_\_ n.v. each,  
 marked with the numbers \_\_\_\_\_ (3) of the company  
 \_\_\_\_\_ Ltd, to be held by the transferee, the  
 administrators of his estate, his guardians and attorneys on all the terms  
 pursuant to which I held the share at the time of signing this deed.

I the transferee hereby agree to accept the above mentioned shares on  
 the above mentioned terms.

As witness our hands on \_\_\_\_\_

Signature of transferor : \_\_\_\_\_

Signature of witness to transferor’s signature: \_\_\_\_\_

Details of witness: \_\_\_\_\_

\_\_\_\_\_ (4)

Signature of transferee : \_\_\_\_\_

Signature of witness to transferee’s signature: \_\_\_\_\_

Details of witness: \_\_\_\_\_

\_\_\_\_\_ (4)”

- (1) Number of shares
- (2) Class of shares
- (3) Delete where necessary
- (4) Name, address and identity no.

- 37. The board of directors may demand any reasonable evidence required for the purpose of clarifying the transferor’s right to transfer the shares, including having regard to the fact that the Company is a banking corporation. If the board of directors refuses to approve the shares’ transfer, it shall give notice thereof to the transferor and the documents in connection with the transfer that have not been approved shall be returned to the person who produced them, if he so requests.
- 38. No share transfer shall be effected in the period in which the shareholders’ register is closed as provided in article 161 below.

39. Joint holders of a share may only transfer all their rights in the share jointly held by them, save for a transfer by any of them to the remaining joint shareholders.
40. The Company may destroy share transfer deeds after seven years have elapsed from the date of the registration in the register, and it may destroy cancelled share certificates, after three years have elapsed from their cancellation, and it shall be *prima facie* presumed that all transfer deeds and certificates destroyed as aforesaid were fully valid and that the transfers, cancellations and registrations, as the case may be, were duly effected.

### **Shareholders**

41. Where two or more persons are registered as joint holders of a share, each of them may give binding receipts for dividend or other monies and/or rights in connection with such share.
42. The Company shall recognize only the shareholder entered in the Company's register as exclusive holder of the share in respect of which he is entered as holder in the Company's register.

Save as aforesaid, the Company shall not recognize any person as having any right to a share and the Company shall not be bound by or recognize any benefit pursuant to the laws of equity or in trust relations (including a beneficiary, in respect of a shareholder who has given notice that he is a trustee) or any chose in action, future or partial right in any share or any benefit in a fraction of a share or any other right in respect of a share, save for the right of a shareholder as mentioned above, in the share in its entirety, unless a competent court directs otherwise.

43. The Company may determine that the shareholders entitled to notice of or to vote at any general meeting, or entitled to receive payment of any dividend or any other distribution or allotment of any rights or for any other legal object, shall be the shareholders on the date determined, from time to time, by the board of directors, in its absolute discretion (hereinafter referred to as "**the determining date**"), subject to the provisions of any law.
44. Upon the death of a single registered holder of a share, the only persons whom the Company shall recognize as having any proprietary right in the said share shall be the heir or heirs of the deceased shareholder, pursuant to law or pursuant to a will, or, as the case may be, the administrator of the estate of the shareholder who has been duly appointed by the court.
45. Where a share is registered in the names of two or more joint shareholders, the Company shall not recognize anyone other than the surviving joint shareholder as having a proprietary right in the said share, and if he has also passed away –

the administrator of his estate, and if there isn't one – his heirs. The aforesaid shall not exempt the estates of a joint shareholder from any obligation he owed to the Company prior to his death in relation to the share jointly held.

46. Any person entitled to a share in consequence of the death or bankruptcy of a shareholder shall be entitled to be registered as the holder of the share after furnishing such proof as required by the board of directors, provided that a certificate that is adequate proof according to the law, or the grant of a succession order or probate order or order appointing an administrator of the estate, liquidator or receiver, as the case may be, shall constitute adequate proof.
47. Where a person becomes entitled to a share in consequence of the death or bankruptcy of the shareholder in accordance with and subject to the provisions of this chapter, he shall be entitled to dividends and other benefits payable in connection with the share; however, so long as he has not been registered in the shareholders' register as the holder of such share, he shall not be entitled to receive notices of the Company's meetings or to participate or vote thereat in connection with such share or to exercise any right of a shareholder.

#### **Bearer share deeds**

48. Subject to the provisions of the law and the articles, the Company may, in the board of directors' absolute discretion, issue bearer share deeds (hereinafter referred to as "**share deeds**") in respect of fully paid up shares of the Company, signed as required in the share certificate, which shall state that the bearer of the share deed is entitled to the shares specified therein.

On exercising its power pursuant to this article, the board of directors may prescribe the method of paying dividends or other monies and/or rights on such shares in the future, by way of vouchers or otherwise.

49. A share deed shall not be issued except pursuant to a written application, signed by the person whose name is entered at such time in the Company's shareholders' register as the holder of the shares in respect of which the share deed is sought.

The application shall include such proof as required by the board of directors of the identity of its signatory, the share certificates, if any, the required stamps tax and the required fee, as determined by the board of directors.

50. A share deed shall entitle the holder thereof to the shares specified therein, which may be transferred by way of the share deed's delivery and not in any other way.

51. A person holding a share deed shall not be entitled to sign a requisition for a general meeting of the Company and/or to participate and/or vote thereat and/or to benefit from any other right of a shareholder in the Company who is registered in the shareholders' register in connection with the Company's general meetings.

Subject to the above provisions of this article, a person holding a share deed shall be entitled to all the rights, privileges and advantages as though his name was registered in the shareholders' register as the holder of the shares included in the deed, and he shall be a shareholder in the Company.

52. The holder of a share deed may at any time deposit the share deed at the office or any other place determined for such purpose by the board of directors, and once 48 hours have elapsed from the deposit, and so long as the share deed is deposited there, the depositor shall have the same rights as a shareholder to sign a requisition for a general meeting of the Company and/or to participate and/or vote thereat and/or to benefit from the other rights of a shareholder at any meeting convened, as though his name were entered in the shareholders' register, and the following provisions shall apply:

52.1 only one person shall be recognized as depositor of a share deed, whether the share deed is held by one or more persons;

52.2 the Company shall return the deposited share deed to the depositor within two days of written notice from him to the Company.

53. The directors may from time to time determine rules regarding the terms on which, if it deems fit, a new share deed or new voucher will be given, if the original voucher or share deed is destroyed or lost.

### **Chapter Three – General Meetings**

#### **Convening a general meeting**

54. The Company shall convene a general meeting at least once a year, at such time and place as determined by the board of directors, but by no later than the end of 15 (fifteen) months from the last general meeting. The agenda for the general meeting shall include a discussion of the financial statements and of the board of directors' report. Such general meetings shall be called "**annual meetings**"; the Company's other meetings shall be called "**special meetings**". The annual meeting's agenda may include the appointment of directors, the appointment of auditors and any other matter that must be discussed by the general meeting pursuant to these articles or the Law, as well as any other matter decided upon.



55. The board of directors may convene a special meeting whenever it deems fit, and it must do so pursuant to a written requisition as detailed in section 63 of the Law; a requisition as aforesaid must detail the objects and resolutions for the purpose of which the meeting is being requisitioned, and shall be delivered to the office signed by those requisitioning it. The requisition may be made up of a number of documents in an identical form of wording, each signed by one or more of those requisitioning the meeting.

The board of directors may authorize an officer of the Company and/or the Company's secretary for the purpose of determining the time and place at which the general meeting shall be convened, for a particular meeting or in general.

56. If the board of directors does not convene a special meeting within 21 (twenty one) days of the date of the requisition, those requisitioning it – or some of them, representing more than one half of the voting rights of all of them – may convene the meeting themselves; however, a meeting convened as aforesaid shall not take place more than three months after the date of the requisition.
57. The board of directors shall give prior notice, at the times and on the terms determined in the legislative arrangement, of the place, date and time of the general meeting and the agenda and reasonable details of those matters up for discussion.
58. The board of directors and/or someone authorized by it may alter the place and date of the general meeting, provided that such does not conflict with the provisions of these articles and the law regarding the minimum periods of time that must elapse between the date of the notice and the date of the general meeting, and provided that the notice of the change, as aforesaid, is given in the manner in which notice was given of the general meeting, the place or date of which has been altered.
59. Notice of a general meeting shall be given to all the Company's shareholders who are entitled to participate in the general meeting, save for shareholders who have not given the Company an address for the purpose of sending notices or who have given an incorrect address, and all those entitled to receive notice in accordance with the legislative arrangement, in the manner and on the terms prescribed in these articles.

For the avoidance of doubt, it is clarified that no person shall be entitled to receive notice of the Company's general meetings, unless he is entitled thereto by virtue of an express provision in the legislative arrangement or these articles.

60. A defect in good faith in convening the general meeting or in the conduct thereof, including a defect stemming from the non-fulfillment of any provision or term laid down in the Law or these articles, concerning the manner of convening the general meeting or the manner of conducting it, shall not invalidate any resolution passed at the general meeting and shall not affect the discussions thereat, subject to the provisions of any law.

### **The general meeting's agenda**

61. The general meeting's agenda shall be determined by the board of directors and shall also include those matters in respect of which the convening of a special meeting is required, and a matter the inclusion of which is requested as provided in article 62 below.
62. One or more shareholders holding at least 1% of the voting rights at the general meeting may ask the board of directors to include a matter on the agenda of a general meeting to be convened in the future, provided that the board of directors has approved the matter's suitability for discussion by the general meeting.

A request as aforesaid shall be submitted to the Company in writing at least seven days before notice is given of the general meeting, and the text of the resolution proposed by the person proposing it shall be annexed thereto.

### **Manner of conducting the general meeting and minutes**

63. Any director of the Company shall, from time to time, be entitled to be present and speak at any general meeting of the Company; however, he shall not be entitled to vote at such meeting unless he himself is a shareholder in the Company.
64. Unless otherwise provided in the articles and/or the legislative arrangement, a person who is not a shareholder or proxy shall not be entitled to be present or speak at a general meeting of the Company, unless he has been expressly invited and/or permitted to do so by the board of directors.
65. No discussion may be commenced on any matter at a general meeting of the shareholders unless a quorum is present at the time the meeting commences discussion. Shareholders (one or more) present themselves or by proxy holding or representing more than 25% (twenty five percent) of the voting power in the Company shall constitute a quorum.
66. If a quorum is not present within half an hour of the time fixed for a meeting, the meeting shall be automatically adjourned for one week to the same time and place, or to such other day, time and place as determined by the board of directors in notice to the shareholders or as stated in the invitation to the

meeting that was adjourned as an alternative to notice of the adjourned meeting. At the adjourned meeting, matters shall be discussed for which the meeting was called and those shareholders present in person or by proxy shall be deemed a quorum for all intents and purposes.

67. Notwithstanding the provisions of article 66, where a general meeting is convened pursuant to a requisition of shareholders in accordance with sections 63 or 64 of the Law, the adjourned meeting shall take place only if attended by shareholders in at least the number required for the purpose of convening a meeting pursuant to section 63 of the Law.
68. The board of directors' chairman (if there is one) and in his absence, his deputy, and in their absence – a director appointed by the board of directors, shall chair the shareholders' general meetings. If there is no board of directors' chairman, deputy or appointee as aforesaid, or they are more than 15 minutes late for the meeting or refuse to chair the meeting, those shareholders present shall choose one of the directors or, if there is no director present or if all the directors present refuse to chair the meeting, one of the shareholders present, to serve as the meeting's chairman.
69. With the consent of the general meeting at which a quorum is present, the chairman may, and at the demand of the meeting – must, adjourn the meeting from time to time and from place to place, as the meeting resolves. If the meeting is adjourned for more than 21 days, notice shall be given of the adjourned meeting in the same way notice is given of a first meeting. Save as aforesaid, a shareholder shall not be entitled to receive notice of an adjournment or of the matters to be discussed at an adjourned meeting. No matter shall be discussed at an adjourned meeting except for matters that could have been discussed at the meeting at which the adjournment was resolved upon.
70. The Company shall take minutes of the proceedings at the general meetings, and shall keep them at its office for a period of seven (7) years from the date of the meeting. Minutes signed by the meeting's chairman shall constitute *prima facie* proof of the contents thereof.

### **Voting at the general meeting**

71. Resolutions at the general meeting shall be passed by an ordinary majority, unless another majority is prescribed by the law or these articles.
72. A resolution put to the vote at the general meeting shall be decided on a poll. Each shareholder (including the meeting's chairman, if he has a voting right) shall have one vote for each share held by him.

Each shareholder may vote himself or by proxy, in accordance with an appointment instrument as provided herein, or in writing, as provided in these articles and the legislative arrangement.

In the case of differences of opinion whether to accept any vote or to disqualify it, a decision thereon in good faith by the meeting's chairman shall be final and conclusive.

73. The chairman's declaration that a resolution has been passed unanimously or by a particular majority shall serve as *prima facie* proof that the resolution has been passed or rejected, and the entry of the declaration in the said meeting's minutes shall serve as *prima facie* proof thereof, and it shall not be necessary to prove the number or proportion of votes given for or against the said resolution.
74. Where the votes are tied, the meeting's chairman shall not have an additional or deciding vote.
75. A shareholder who is a minor or legally incapacitated may only vote by his board of trustees, receiver, natural guardian or other legal guardian, who may vote themselves or by proxy.
76. Where two or more persons are the joint holders of a share, in a vote on any issue, only the vote of the senior joint shareholder, himself or by proxy, shall be accepted, without having regard to the other registered joint holders of the share, and for such purpose the person whose name is entered first in the shareholders' register or confirmation of title pursuant to the legislative arrangement shall be deemed the senior joint shareholder.
77. A corporation that is a shareholder in the Company may, pursuant to a resolution of its competent organ, empower such person as it deems fit to represent it at any meeting of the Company. A person empowered as aforesaid may exercise, on behalf of the corporation he represents those powers that the corporation itself could have exercised had it been an individual shareholder.
78. A person may act as a voting proxy even if he himself is entitled, in his own right, to attend and vote at the meeting at which he is to vote as proxy or if he has been appointed to act at such meeting as voting representative of a corporation or of another shareholder, and he shall have a number of votes equal to the votes of all the shareholders for whom he is serving as proxy or representative, in addition to the votes stemming from his own shares.
79. A proxy shall be appointed by way of a written instrument signed by the appointer or an attorney who has been authorized to do so in writing, and the instrument shall state the class and number of shares in respect of which it is being given.

Without derogating from the provisions of these articles regarding the appointment of a voting proxy, the following provisions shall apply:

- 79.1 A shareholder holding more than one share shall be entitled to appoint more than one proxy, provided that if the total number of shares of any class specified in the appointment instruments given by the shareholder exceeds the number of shares of such class held by him, all the appointment instruments given by such shareholder shall be null and void.
- 79.2 Where only one proxy has been appointed by a shareholder and the appointment instrument does not state the number and class of shares in respect of which it has been given, or states a number of shares higher than the number of shares held by such shareholder, the appointment instrument shall be deemed to have been given in respect of all the shares held by the shareholder on the determining date for participation in the general meeting. If the appointment instrument is given in respect of a number of shares lower than the number of shares held by the shareholder, the shareholder shall be deemed to have abstained from voting in respect of the balance of his shares and the appointment instrument shall only be valid in respect of the number of shares specified therein.
80. Cancelled.
81. A vote placed in accordance with the terms of an appointment instrument shall be legal even if prior thereto the appointer dies or becomes legally incapacitated or cancels the appointment instrument or transfers the share in relation to which it was given, unless written notice is received at the office prior to the meeting that the shareholder has died, become legally incapacitated, cancelled the appointment instrument or transferred the share.
82. The proxy appointment instrument and power of attorney or other certificate (if any) or copy certified by a notary shall be deposited at the office or such other place as the board of directors determines from time to time, at least 48 hours prior to the time fixed for the meeting or the adjourned meeting at which the person mentioned in the document intends to vote, failing which the person mentioned in the document shall not be entitled to vote pursuant thereto. The Company's board of directors may, if it believes there are grounds justifying this, approve a vote pursuant to an appointment instrument even if it was not deposited as aforesaid.
83. The instrument appointing a voting proxy, for a specially noted general meeting or for any general meeting, may be in the following form or in a form as similar thereto as possible or in such other form as the board of directors

determines. The Company's secretary may demand that the appointment instrument's signature by the shareholder be certified by an attorney or by another witness approved by the board of directors.

<p>“To _____ Ltd (“the Company”)</p> <p>I _____ ID _____ of _____, shareholder in the Company, hereby appoint _____ ID _____ of _____ to be my proxy to participate and vote in my name and stand in respect of _____ shares of _____ class of the Company that are held by me, at the Company's general meeting to be held on _____ and at any adjourned meeting thereof.</p> <p>Signed on this ____ day of _____.</p> <p>Signature _____”</p>
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### Written vote

84. If and insofar as pursuant to the legislative arrangement or a resolution of the board of directors, the shareholders are entitled to vote on resolutions on the agenda of a particular general meeting also by way of a voting instrument in which the shareholder states the way in which he is voting, the following provisions shall apply:

84.1 Together with the invitation to the specific general meeting, the Company shall send a voting instrument to all the shareholders as provided in the legislative arrangement and in the absence of such a provision, as provided by the board of directors, in which the text of the proposed resolutions shall be detailed (hereinafter referred to as “**the voting instrument**”).

84.2 A shareholder may note the way in which he is voting in the voting instrument in relation to any proposed resolution included in the voting instrument by indicating his position “for”, “against” or “abstain” only, and without any alteration, deletion, omission, addition or reservation regarding the text of the proposed resolution (hereinafter referred to as “**alteration**”). A written vote on a proposed resolution that is accompanied by an alteration shall be disqualified and shall not be howsoever taken into account for the purpose of the vote on the proposed resolution. If the shareholder does not state his position on any proposed resolution, he shall be deemed to have abstained from voting thereon.

- 84.3 The voting instrument shall be signed by the shareholder, and if the shareholder is a corporation, it shall be signed in the manner binding the corporation and shall be dated, and the signature shall be certified by a witness as determined by the board of directors and/or the provisions of the legislative arrangement.
- 84.4 In the event of differences of opinion whether to accept or disqualify a vote in writing, the matter shall be decided by the meeting's chairman and his decision in good faith shall be final and conclusive.
- 84.5 A voting instrument in which the shareholder notes the way in which he is voting, as set forth in article 84.2 above, shall be delivered to the Company's office no later than the date prescribed in the legislative arrangement and/or the board of directors' resolution, and in any event no later than the meeting's commencement, failing which it shall not be valid. A voting instrument received by the Company on time as aforesaid shall be deemed presence at the meeting for the purpose of constituting a quorum pursuant to article 65 above.
- 84.6 Where a shareholder has voted through a voting instrument that was received by the Company on time, as provided in article 84.5 above, on a particular proposed resolution in respect of which a vote did not take place at the general meeting, the shareholder shall be deemed to have abstained from voting at such meeting for the purpose of the resolution on an adjourned meeting, as provided in article 69 above, and his written vote shall be counted at the adjourned meeting, that takes place pursuant to the said article.
- 84.7 Subject to the provisions of the legislative arrangement and these articles, the board of directors may decide on additional procedures and provisions regarding a written vote, including with regard to circulation of the text of the voting instruments, the manner of signing them and the ways of delivering them to the Company.
- 84.8 If a voting instrument is mistakenly disqualified and/or not included in the poll, such shall not affect the validity of any resolution passed at such meeting. In addition, if the voting instrument is used in a manner that does not comply with any of the terms of this article, such shall not affect the validity of any resolution passed at such meeting.

## **Chapter Four – Board of Directors**

### **Appointment and dismissal of directors**

85. The number of directors shall be determined, from time to time, by the general meeting, provided that it shall not be less than seven nor more than 15, including external directors, whom the Company must appoint pursuant to the legislative arrangement.
86. The power to appoint and/or dismiss the Company's directors rests with the general meeting, by way of a resolution passed by an ordinary majority.
87. Notwithstanding the provisions of article 86 above and subject to legislative provisions, the board of directors may from time to time in its discretion, appoint additional directors to fill the position of a director that has become vacant or for any other reason, provided that the overall number of directors does not exceed the number prescribed by the general meeting. The period of office of a director appointed by the board of directors as aforesaid shall be until the closing of the first Annual Meeting held subsequent to the time of the appointment.
88. The appointment of a director may commence in the future or on the occurrence of a particular event, as stated in the appointment resolution.
89. The office of a director shall commence at the time of his appointment or at such subsequent time as decided by the General Meeting or the board of directors, as the case may be, which appointed the director. Subject to Article 87 above, his office as above shall continue so long as it has not been terminated or may be terminated in accordance with the provisions of Article 91 hereafter.  
Subject to the legislative arrangement, directors whose term of office has come to an end may be reappointed.
90. Where the number of directors falls below the number appointed by the general meeting, such shall not affect the powers of the remaining directors to act in accordance with their authority; however, if the number of directors falls below the minimum number required by these articles, the board of directors may only act for the purpose of appointing additional directors or for the purpose of convening a general meeting at which additional directors shall be appointed.
91. The term of office of a director in the Company shall lapse in accordance with the provisions of the legislative arrangement, and in addition on the occurrence of one of the following:
- 91.1 upon the termination of the period of the appointment, if the period of office of the director was fixed in the decision as to his appointment;
- 91.2 on his death or in the event that he is declared bankrupt or reaches an arrangement or compromise with his creditors;



- 91.3 he is deprived by law of his capacity to perform a legal act or his capacity as aforesaid is legally restricted;
- 91.4 he resigns on written notice to the Company; the resignation shall take effect on the date the notice is received at the Company's offices, unless the notice prescribes a later date;
- 91.5 subject to the provisions of the legislative arrangement, he is removed from his position pursuant to a resolution of the general meeting, passed by an ordinary majority.
92. A director who resigns shall give reasons for his resignation. On notice being received of a director's resignation, the fact of the resignation and the reasons given for it shall be brought before the board of directors and shall be entered in the minutes of the first meeting following the resignation.
93. The directors' qualifications shall be in accordance with the provisions of the legislative arrangement. In any event, a director need not be a shareholder in the Company.

#### **The board of directors' chairman and deputy chairman**

94. The board of directors may from time to time elect one of its members to serve as the board of directors' chairman, and prescribe the duration of his term as chairman. The board of directors may also from time to time appoint a deputy chairman of the board of directors and prescribe the duration of his term of office. If no chairman or deputy chairman is elected, or if either of them is not present at any meeting within 10 minutes of the time fixed for the meeting, the directors present at the meeting shall choose one of them as the meeting's chairman.

If no term of office is prescribed for the chairman or his deputy, their term of office shall come to an end at the annual general meeting at which their term of office as directors comes to an end, as provided in article 89 above.

The provisions of this article in respect of the board of directors' chairman shall apply, in his absence, to his deputy.

#### **The board of directors' committees**

95. Subject to the provisions of the legislative arrangement, and save in respect of the matters set forth in article 96 below, the board of directors may delegate its powers to committees made up of its members, the composition of which shall be determined by it, and the committees shall exercise their powers in

accordance with the instructions given to them by the board of directors and the provisions of the legislative arrangement.

Without derogating from the aforesaid, the board of directors shall appoint every board of directors' committee it is under a duty to appoint pursuant to the provisions of the legislative arrangement, including an audit committee.

96. The board of directors may not delegate its powers on the following matters to board of directors' committees, except for the purpose of recommendation alone:

96.1 the determination of the Company's general policy;

96.2 a distribution, except for an acquisition of the Company's shares in accordance with a framework delineated in advance by the board of directors;

96.3 the allotment of shares or securities convertible or exercisable into shares, or of a series of debentures, except an allotment of shares in consequence of the realization or conversion of securities of the Company;

96.4 the approval of the financial statements;

96.5 the board of directors' approval of the acts and transactions requiring the board of directors' approval pursuant to sections 255, 268-275 and 314 of the Law.

Notwithstanding the aforesaid, the board of directors may delegate any of its above powers to a board of directors' committee, if and insofar as there is no prevention by law to such delegation on the date of the delegation.

97. The provisions regulating the board of directors' meetings and the acts and discussions thereat shall also apply, insofar as possible, to the meetings, acts and discussions of the committees, unless the board of directors determines otherwise, in which case its instructions shall apply. Without derogating from the generality of the aforesaid, the quorum required for a committee meeting, subject to the legislative arrangement and the articles, shall be a majority of the committee's members.

98. Reports on all the committees' resolutions and recommendations shall be sent to the board of directors on a routine basis, within a reasonable period of time from the date they were given, or at such time as determined by the board of directors.

99. A resolution passed or act done by a board of directors' committee shall be deemed to be a resolution passed or act done by the board of directors, unless the board of directors expressly prescribes otherwise, for a particular matter or for a particular committee.

### **The board of directors' powers and duties**

#### **The board of directors' powers – general**

100. The board of directors shall have the powers vested in it pursuant to these articles and the legislative arrangement. Without derogating from the aforesaid, the board of directors shall delineate the Company's policy and supervise the performance of the MD's duties and actions. The board of directors may exercise every power of the Company not vested, by the law or these articles, in another organ. A resolution of the general meeting shall not be able to retroactively cancel an act of the board of directors that was legally valid at the time it was done.

In addition to the aforesaid, it is expressed that if and insofar as required for the purpose of performing the board of directors' obligations, including pursuant to the directives of Bank of Israel and the legislative arrangement in general, the board of directors may resolve, for a particular matter or in general, that certain powers vested in the MD shall be transferred to it.

#### **Obtaining credit and giving guarantees and collateral**

101. The board of directors may from time to time, in its discretion, obtain, borrow or secure the payment of monies for the Company's objects.
102. The board of directors may obtain or secure the payment or return of monies as aforesaid in such manner and on such terms as it deems fit, in its discretion, and especially by way of the issue of debentures or promissory notes secured by a charge over all or some of the Company's property and rights (at present or in future), including the Company's capital that has not yet been called for payment.
103. Promissory notes, debentures, debenture stock, IOUs or other collateral may be issued at a discount, at a premium or otherwise, and with special privileges relating to redemption, return to the Company, lotteries, allotment of shares, participation and voting at the Company's general meetings, the appointment of directors or other matters.
104. The aforesaid does not rule out the power of the MD or anyone duly authorized by him to decide on the obtaining of credit by the Company within the limits prescribed by the board of directors.

## **Appointment of the MD, internal auditor, office holders, authorized signatories and attorneys**

105. The board of directors may from time to time, in its discretion, appoint a managing director for the Company (herein referred to as “**the MD**”) for such period and on such terms as it deems fit and delegate to him any power that may be delegated pursuant to the law. An appointment as aforesaid shall be governed by the following provisions:

105.1 The board of directors may take powers vested in or to be vested in the MD, for a particular matter or for a particular period of time, as the board of directors determines, subject to the legislative arrangement.

105.2 The board of directors shall determine, from time to time, the matters on which the MD must report to it or bring to the board of directors for discussion or approval.

106. The board of directors may appoint and/or authorize the MD to appoint officers, authorized signatories and other office holders in the Company and grant them such power, authority and discretion as it deems fit, subject to any restriction pursuant to the legislative arrangement.

Without derogating from the aforesaid, the board of directors shall appoint an internal auditor to the Company. The manner of appointment, his removal from office, his powers and duties shall be in accordance with the board of directors’ discretion, and subject to the provisions of the legislative arrangement.

107. The board of directors may appoint and/or authorize the MD to appoint, from time to time, any persons, or any body, to be the Company’s attorneys, for the purpose of such objects and within the scope of such power, authority and discretion as do not deviate from those vested in the directors and that the directors may delegate, or that are exercisable by them, for such periods of time and subject to such terms as the directors deems fit from time to time.

The Company’s authorized signatories may at any time, and from time to time, empower any person, by a power of attorney bearing the Company’s stamp, to be the Company’s attorney for such objects, with such powers, for such period and on such terms as they deem fit, provided that the powers do not exceed those available to the grantor of the power.

Appointments as aforesaid may include provisions for the protection and convenience of persons dealing with such attorneys. Appointments as aforesaid may also give any attorney as aforesaid the authority to transfer the powers granted to him.

108. All officers or attorneys as aforesaid in articles 105 to 107 above may be authorized by the directors to sub-delegate all or some of the power, authority and discretion vested in them from time to time, with the same restrictions, if and insofar as such is decided by the board of directors.

### **The Company's signature**

109. Without derogating from the provisions of articles 104 to 108 above, the board of directors may from time to time determine the manner of signing on the Company's behalf.

### **Board of directors' meetings**

110. The board of directors shall convene meetings in accordance with the Company's requirements, and at least the minimum number of times required pursuant to the legislative arrangement.
111. The manner and time for giving notice of a board of directors' meeting shall be determined by the board of directors from time to time, in its discretion, including the possibility of calling an urgent meeting.
112. Any director may at any time demand a board of directors' meeting, and the secretary shall be liable to act in accordance with such a demand. In addition, the board of directors shall convene pursuant to a demand as set forth in section 98 of the Law.
113. The quorum for the opening of a board of directors' meeting shall be a majority of the members of the board of directors, subject to the provisions of the legislative arrangement.
114. The agenda for the board of directors' meetings shall be determined by the board of directors' chairman, or if no chairman has been appointed – by the board of directors, and it shall include:
- 114.1 matters determined by the board of directors' chairman, or if no chairman has been appointed – the board of directors;
- 114.2 matters determined in accordance with section 98 of the Law;
- 114.3 any matter that a director or the MD has requested the board of directors' chairman or, if no chairman has been appointed, the board of directors, a reasonable time prior to the board of directors' meeting, to include on the agenda.

The Board of directors shall determine from time to time, in its discretion, the manner of detailing the matters on the agenda, *inter alia* having regard to the urgency of the meeting.

115. Each director shall have one vote at a board of directors' meeting.
116. Resolutions at the board of directors' meetings shall be passed by a majority of the votes of those directors present and voting, without the votes of those abstaining. In the event of a tied vote, the board of directors' chairman shall not have an additional or deciding vote.

#### **Holding board of directors' meetings by communication means and passing resolutions without convening**

117. The board of directors may hold meetings, and the board of directors' members may participate in board of directors' meetings, by way of a telephone conversation or by way of any other communication means enabling all the meeting's participants to hear all the other participants, and such participation shall be deemed presence at the board of directors' meeting for all intents and purposes.
118. A written resolution signed by all the directors entitled to participate in the discussion shall be valid for all intents and purposes as though it were a resolution passed at a board of directors' meeting that was duly called and convened. A resolution as aforesaid may be made up of a number of documents with a similar text, each of them signed by one or more directors, in a letter, facsimile, wire or otherwise.

In addition to the aforesaid, the board of directors may pass resolutions, in any other way, even without actually convening, provided that all the directors entitled to participate in the discussion and vote on the matter brought for resolution have agreed thereto. The board of directors may regulate the manner and ways of passing resolutions as aforesaid and recording minutes in respect thereof.

#### **Directors' remuneration**

119. The directors' remuneration, if any, whether in the form of annual payment or in the form of payment for participation at a meeting, shall be in the amount determined by the Company in general meeting in accordance with the provisions of the legislative arrangement.
120. The directors shall be entitled, with the board of directors' approval, to reimbursement of their reasonable expenses for traveling and subsistence and the other expenses connected with the performance of their position as

directors, including the costs of traveling to and from the board of directors' meetings, unless otherwise prescribed by the general meeting or the Law.

121. If a director, pursuant to a resolution of the board of directors and subject to the provisions of the law, performs special duties or provides the Company with special services that are outside his duties as director, the board of directors may resolve to pay him special remuneration in such manner as it determines.

### **Minutes**

122. The Company shall keep minutes of the proceedings at meetings of the board of directors and its committees, and shall keep them at its registered office for a period of seven (7) years from the date of the meeting. Minutes that have been approved and signed by the chairman of the board of directors or the chairman of the relevant committee or the meeting's chairman, as the case may be, shall serve as *prima facie* proof of the contents thereof.

## **Chapter Five – General Provisions**

### **Validity of acts and approval of transactions**

123. Subject to the provisions of the articles and the provisions of the legislative arrangement, an officer shall not be disqualified from holding office in the Company by reason of the fact that he is a shareholder in the Company or holds another office in the Company or holds another position in another company that is a shareholder in the Company or in which the Company is a shareholder or in any other company.
124. An officer shall not be precluded from contracting with any company, as vendor, purchaser or otherwise, himself or as an officer and/or shareholder in another company, and his position as an officer shall not in itself preclude the Company from entering into a contract and/or transaction in which the officer has any benefit, subject to the performance of all the provisions of the legislative arrangement relevant to the matter.

In such regard, an officer shall not be deemed to have a personal interest merely by reason of the fact that he holds office in a corporation related to the Company, on the Company's behalf.

125. Subject to the provisions of the legislative arrangement, general notice given to the board of directors by an officer in the Company or by a controlling shareholder in the Company regarding his personal interest in a particular entity, giving details of his personal interest, shall constitute disclosure by the officer or the controlling shareholder to the Company regarding his personal

interest as aforesaid for the purpose of any contract and/or act of the Company with and/or in connection with such entity.

126. Subject to the provisions of the legislative arrangement, an officer shall not be liable to report to the Company on any remuneration and/or benefit or any part thereof received by him in respect of a contract or transaction as mentioned in article 124.
127. Any transaction entered into by the Company, any act or omission of the Company, and any condition for contracting as aforesaid (including approval that the transaction or act do not harm the Company), in respect of which it is legally prescribed that they require approval in accordance with the provisions of the Company's articles or in respect of which it is prescribed that they require the board of directors' approval, unless another manner of approval is prescribed in the articles (including and without derogating from the aforesaid, regarding transactions with interested parties) (hereinafter referred to as **"the contracts"**) shall be approved by the board of directors or by any other entity authorized for such purpose by the board of directors (hereinafter referred to as **"the competent organ"**).
128. Without derogating from the provisions of article 127, it is hereby expressed that the board of directors may authorize any person, entity or office holder to grant approval as aforesaid and that the consent may be given in general, for a particular type of transactions or acts or for a specific transaction or act.
129. It is hereby expressed that the competent organ may approve contracts by way of general approval, approval for a particular class of contracts or by way of specific approval.
130. Where the contracts have been approved by the board of directors or by the competent organ, in accordance with article 127, the approval shall be deemed to have been given in accordance with the Company's articles of association.
131. The provisions of these articles are not such as to derogate from the provisions of the Law or the provisions of the legislative arrangement in connection with approval of an "exceptional transaction" (as defined in the Law) of the Company with an officer therein or with a controlling shareholder therein or with another person where the officer in the Company or controlling shareholder therein has a personal interest in the said "exceptional transaction" and/or in connection with the approval of a "material act" (as defined in the Law) within the scope of the officer's fiduciary duty in the Company, and they shall be approved in accordance with the provisions of the legislative arrangement applicable from time to time.

### **Exemption, indemnity and insurance**



132. The Company may exempt an officer therein from all or part of his liability for damage occasioned in consequence of the breach of his duty of care to the Company.
133. The Company may enter into a contract to insure all or some of the liability of an officer therein by reason of an obligation or payment imposed on him in consequence of an act done in his capacity as an officer therein, in any of the following cases:
- 133.1 breach of the duty of care to the Company or any other person;
  - 133.2 breach of the fiduciary duty to the Company, provided that the officer acted in good faith and had reasonable basis to believe that the act would not harm the Company;
  - 133.3 a financial obligation imposed on him in favor of another person;
  - 133.4 a payment made to a breach victim pursuant to an administrative proceeding;
  - 133.5 costs incurred in connection with administrative proceedings relating to him, including reasonable litigation expenses and attorney fees.
  - 133.6 any other case in respect of which it is possible, pursuant to the Law and/or any other law, to insure the liability of an officer at the time of entering into the insurance contract.
134. The Company may give an advance undertaking to indemnify an officer therein for any liability, payment or expense as set forth in article 136 that is imposed on the officer in consequence of an act done in his capacity as an officer in the Company. An indemnity undertaking of the Company shall be limited to such types of events as in the board of directors' opinion are foreseeable in view of the activity of the Company in practice at the time of giving the indemnity undertaking, and to such amount or criteria as the board of directors determines are reasonable in the circumstances of the matter and that in the indemnity undertaking the events which in the opinion of the Board are foreseeable in view of the activity of the Company in practice at the time of issue of the undertaking and also the amount or criteria determined by the Board as reasonable in the circumstances.

If and insofar as the law permits the Company to give an advance undertaking to indemnify an officer therein with restrictions, terms and/or requirements lighter than the terms prescribed in this article, the Company may give an advance indemnity undertaking as aforesaid in accordance with the lighter

terms and restrictions as allowed by the law on the date of giving the undertaking.

135. The Company may indemnify an officer therein retroactively for any liability, payment or expense as set forth in article 136 imposed on the officer or expended by him in consequence of an act done in his capacity as an officer of the Company.
136. The indemnity undertaking pursuant to article 134 or the indemnity permission pursuant to article 135 shall be given in respect of:
  - 136.1 a monetary obligation that has been and/or shall be imposed on the officer in favor of another person pursuant to a judgment, including a judgment given in a settlement or a court-approved arbitrator's award, by reason of an act done in his capacity as an officer in the Company;
  - 136.2 a payment made to a breach victim pursuant to an administrative proceeding;
  - 136.3 expenses incurred in connection with an administrative proceeding, including reasonable litigation expenses and attorney fees.
  - 136.4 reasonable litigation expenses including attorney fees which the officer expended as a result of an investigation or proceeding against him by an authority authorized to conduct an investigation or proceeding, which terminated without an indictment against him and without a financial obligation being imposed upon him in lieu of criminal proceedings, or which terminated without an indictment against him but by imposition of a financial obligation in lieu of criminal proceedings with regard to an offense that does not require proof of criminal intent or in respect of a financial sanction.

“Termination of a proceeding without indictment in a matter in which a criminal investigation was instigated” and “Financial obligation in lieu of criminal proceedings” – as such terms are defined in the Companies Law.
  - 136.5 reasonable litigation costs, including advocates' professional fees, that the officer has incurred and/or shall incur or that he has been and/or shall be ordered to pay by a court in proceedings that have been and/or shall be filed against him by the Company or on its behalf or by another person, or in a criminal indictment of which he is acquitted, or in a criminal indictment in which he is convicted of an offence not requiring criminal intent, and all by reason of an act done in his capacity as an officer in the Company;

- 136.6 any liability or expense in respect of which the Company may indemnify and/or undertake to indemnify officers, pursuant to the provisions of the law, as in force on the date of granting the indemnity and/or as amended from time to time.
137. Subject to the provisions of the Companies Law and the legislative arrangement:
- 137.1 The Company may give an undertaking to any officer in the Company, who has served or is serving or shall serve on the Company's behalf or at its request as director in another corporation in which the Company holds shares, directly or indirectly, and/or in which the Company has another interest (hereinafter referred to as **“the other company”**, **“director in the other company”**, respectively) to indemnify him for any liability, payment or expense as set forth in article 136 above, that is imposed on him by reason of an act done in his capacity as a director in the other company, provided that the undertaking shall be limited to such types of events as in the board of directors' opinion are foreseeable in view of the activity of the Company in practice at the time the indemnity undertaking was given, and to such amount or criteria as the board of directors has determined are reasonable in the circumstances of the matter and that in the indemnity undertaking the events which in the opinion of the Board are foreseeable in view of the activity of the Company in practice at the time of issue of the undertaking and also the amount or criteria determined by the Board as reasonable in the circumstances.
- 137.2 Without derogating from the aforesaid, the Company may indemnify a director in the other company retroactively, for any liability, payment or expense as set forth in article 136 above, imposed on him in consequence of an act done in his capacity as a director in the other company.
- 137.3 The Company may exempt any director in the other company from all or some of his liability for damage occasioned in consequence of the breach of his duty of care to it in the scope of his position in the other company.
138. The provisions of these articles do not howsoever limit the Company's power to do any of the following:
- 138.1 to enter into any insurance contract of whatsoever type, save for a contract amounting to an attempt to circumvent the restrictions expressly prescribed in article 133 above;

138.2 to grant an exemption, insurance, indemnity undertaking and/or to indemnify any person who is not an officer in the Company, including any employee, agent, consultant or contractor of the Company who is not an officer, and including any person serving (including someone who has served) on the Company's behalf or at its request as officer in a corporation in which the Company has an interest and/or the election or appointment of whom was brought about by the Company, in respect of any liability and/or expense applicable to him in consequence of an act of such person that was done in good faith in the scope of the performance of his position in such corporation.

138A. For the avoidance of doubt, it is hereby expressed that any exemption, indemnity and insurance, pursuant to this section, shall be subject to the provisions of the Companies Law.

### **Dividend, bonus shares, capitalization of profits and reserves**

139. The Company's resolution to distribute a dividend or bonus shares or to effect any other distribution shall be passed by the Company's board of directors.

140. Any declaration of a dividend may detail that the payment thereof shall be effected in kind and/or in cash. The board of directors may resolve that the dividend shall be paid, in whole or in part, by the distribution of particular assets, and in particular by the distribution of fully paid up shares, debentures or any other security of any other company or in several of these ways.

141. Bonus shares distributed in respect of any shares shall be of the same class as the shares in respect of which they are distributed, unless the board of directors resolves to distribute to all the shareholders bonus shares of one class.

142. Dividend shall be paid to those persons who are registered in the shareholders' register as the holders of the shares in respect of which the dividend was declared, at such time as determined in the declaration of the dividend.

143. Where several persons are registered as joint holders of a share, the dividend shall only be paid to the senior joint shareholder, as defined in article 76 above.

144. The board of directors may withhold the payment of any dividend on a share in respect of which the Company has a lien, and apply it towards the payment of any debt, obligation or liability of such shareholder including the debts, obligations and contracts the date for the performance or payment of which has not yet arrived.

145. Where a dividend is not claimed within seven (7) years of the date of its distribution, the person entitled thereto shall be deemed to have waived it and

it shall revert to the Company. Without derogating from the aforesaid, the Company shall not be liable to pay interest and/or linkage differentials in respect of an unpaid dividend, unless the Company's board of directors resolves otherwise.

146. For the purposes of implementing a resolution on the distribution of a dividend or the distribution of bonus shares, the board of directors may make any arrangement required in its opinion in order to enable the allotment. Without derogating from the aforesaid, the board of directors may pay consideration for fractions of shares in cash or declare the fractions whose value is less than one new shekel will not be entitled to any consideration and/or appoint any person and authorize him to sign any document for the purpose of the due distribution of the bonus shares.
147. So long as not otherwise resolved by the board of directors, dividend shall be paid by way of a cheque or payment order, that shall be mailed in accordance with the registered address of the shareholder or person entitled thereto, and in the case of registered joint shareholders – to the senior joint shareholder, as defined in article 76 above. A cheque as aforesaid shall be drawn up to the order of the person to whom it is being sent.
148. Without derogating from the provisions of article 145 above, the board of directors may invest any dividend not claimed for a period of one year after it has been declared or otherwise use it for the Company's benefit until it is claimed.
149. The board of directors may from time to time resolve to capitalize any undistributed profits of the Company that have accrued in consequence of the realization of any capital assets of the Company or that have been received as capital profits in respect of the receipt of monies in consequence of the realization or revaluation of assets as aforesaid, or in respect of any investment stemming from the aforesaid, provided that they are not required for the payment or distribution of any preferred dividend.

Subject to the provisions of the legislative arrangement, the board of directors may resolve that the profits capitalized as aforesaid, instead of being used for the purchase of other capital assets or for the purpose of any other capital objects, shall be distributed amongst the shareholders in accordance with the ratio prevailing on a distribution of dividends between them.

150. The board of directors may, before proposing any dividend, set aside from the Company's profits such amounts as it deems fit as a reserve fund for extraordinary purposes or for the equalization of dividends, or for a special dividend, or for the repair, improvement or maintenance of any of the Company's property, and for all types of other objects, as the board of directors, in its absolute discretion, considers beneficial to the Company's

affairs, and it may invest the amounts set aside as aforesaid in such investments as it deems fit and from time to time attend to these investments and alter them and use them, in whole or in part, for the benefit of the Company, and it may divide the reserve fund into special funds, as it deems fit, and use the fund or any part thereof in the Company's business, without being liable to keep them separate from the Company's other assets.

### **Books of account, auditor**

151. The board of directors shall arrange for the Company to keep proper books of account in accordance with the Law.
152. The books of account shall be kept at the Company's registered office or at such other place as determined by the board of directors, in its discretion, and shall always be open for inspection by the directors.
153. At least once a year, the board of directors must bring the Company's financial statements before the Company's shareholders. The financial statements shall be brought before the general meeting, at the annual meeting, and shall be signed by whomever is authorized to do so by the board of directors, as required by the law.
154. At the annual general meeting, the Company shall appoint an auditor or auditors, who shall hold office until a later general meeting of the Company discusses the appointment of an auditor or auditors or until the end of the appointment term prescribed by the general meeting, provided that the term shall not extend beyond the end of the third annual meeting following the general meeting at which they were appointed, or beyond the maximum term prescribed in the law, at such time, for the appointment of an auditor, whichever period is longer.
155. Where the Company has appointed an auditor, the board of directors and/or someone appointed by it shall determine the auditor's remuneration for the audit, in its discretion. The auditor's remuneration for other services to the Company that are not part of the audit shall also be determined by the board of directors, in its discretion. The board of directors shall report to the general meeting on the auditor's remuneration for the audit and for the other services.
156. The Company may extend the date for drawing up its financial statements up to nine months from the determining date, as defined in section 172 of the Law, if and insofar as it may do so pursuant to the legislative arrangement.

### **Donations**

157. In addition to the provisions of the memorandum of association, the Company may donate reasonable amounts for worthy objects, even if the donation is not

within the scope of the Company's business considerations. The board of directors or someone authorized by it for such purpose may determine, in its or his discretion, the amounts of the donations, the objects for which they shall be implemented, the identity of the donee and any other term in connection therewith.

## **Chapter Six – The Company's Administration**

### **The shareholders' register**

158. The Company shall keep a shareholders' register in which the details required pursuant to the Law shall be entered, and shall keep it at its registered office. Subject to the provisions of the Law, upon being entered in the register, the registered shareholder shall be deemed the holder of the shares even if a share certificate in respect of these shares has not been issued to him.

The Company may keep another shareholders' register outside of Israel, in the manner and on the terms prescribed by the board of directors.

159. The shareholders' register shall constitute *prima facie* proof of the correctness of its entries.

160. A shareholder who is a trustee shall be entered into the shareholders' register with a notation of his trusteeship and shall be deemed the holder of the share.

161. The shareholders' register may be closed for such period of time as the board of directors deems fit, provided that the said period of time does not exceed a total of 30 days in each year. Save for those times during which the register is closed pursuant to the provisions of the Law or the board of directors' resolution, it shall be open during all the Company's regular hours for inspection by any person in consideration for such payment as prescribed by the board of directors from time to time.

### **The Company's documents**

162. The board of directors may, in its discretion, resolve to grant a right to inspect the Company's documents, or some of them, including to all or some of the shareholders, as it deems fit. For the avoidance of doubt, it is hereby expressed that the shareholders shall be entitled to inspect the Company's documents, or some of them, only if they are granted an express right as provided in the Law, the articles or if they are permitted to do so by the board of directors.

### **Alteration of articles**

163. The Company may alter its articles by way of a resolution passed by a special majority at the Company's general meeting. Subject to the provisions of the

Law, an alteration as aforesaid shall take effect from the date the resolution is passed or on such later date as prescribed in the resolution.

A resolution passed at a general meeting by the majority required to alter the articles, as provided above, that alters any of the provisions of these articles, shall be deemed a resolution to alter these articles, even if such is not expressly stated in the resolution.

164. Any alteration of the articles obliging a shareholder to purchase additional shares or to increase his liability shall not bind the shareholder without his consent.

### **Secretary**

165. The board of directors may from time to time, in its discretion, appoint any person to be the Company's secretary, for a fixed period or otherwise as it deems fit and on such terms as it deems fit from time to time. The board of directors may also appoint, from time to time, a substitute secretary, and so long as he serves in such position, he shall be deemed the secretary for all intents and purposes.

It is expressed that documents and/or reports and/or notices to the Registrar of Companies and/or the Securities Authority and/or the Stock Exchange may be signed also by the secretary.

### **Notices**

166. Any notice pursuant hereto and any notice that the Company is liable to give its shareholders or directors shall be given in writing, may be delivered in one of the ways specified below and shall be deemed to have been delivered to the addressee at the following times:

In the case of delivery by hand – at the time of delivery; or

by dispatch in a pre-paid cable or letter to the addressee's address in Israel – within 48 hours of the date the letter containing the notice is mailed. In order to prove such delivery, it shall be sufficient to prove that the letter containing the notice was properly addressed and mailed. A written certificate signed by the secretary or another official of the Company that the letter containing the notice bore the address and was mailed as aforesaid shall serve as conclusive proof thereof; or

by facsimile, e-mail, telex or any other technological means – within 24 hours of dispatch; or



by publication in two daily newspapers appearing in Israel – on the date of publication in the newspaper; or for an advertisement or notification about summoning a General Meeting – by publishing on the company's web-site – on the day it was published on the web-site.

For such purpose, it is hereby expressed that –

- 166.1 a shareholder and/or director whose registered address is outside Israel may, from time to time, notify the Company in writing of an address in Israel, and the said address shall be deemed its registered address for the purposes of this article. A shareholder and/or director shall not be entitled to receive notice at their registered address outside Israel;
  - 166.2 where the Company has reason to believe that the Israeli address furnished to it is no longer the addressee's address, the said addressee shall be deemed not to have furnished the Company with an address;
  - 166.3 it is expressed that notice to the Company's directors may also be given telephonically;
  - 166.4 it is expressed that if any notice/advertisement is published in the newspaper or the internet, the company need not give personal notice in respect of such notice, including to a shareholder who is entered in the shareholders' register;
  - 166.5 where notice has been given in more than one of the ways set forth above, it shall be deemed to have been received on the earliest date it is deemed delivered, as set forth above;
  - 166.6 for the purpose of this article, days that are not business days shall not be taken into account.
167. Notice in respect of a share that is jointly held that is given to the person whose name appears first in the shareholders' register shall serve as adequate notice to all the holders of the share.
  168. Anyone becoming the holder of a right in a share in consequence of the death or bankruptcy of a shareholder shall be given notice by the Company by ordinary mail according to their name or as administrator of the deceased's estate or as the bankrupt person's trustee, in accordance with the address in Israel given to it by the person claiming the right as aforesaid, and if he has still not given an address – in the manner in which it would have been possible to give the notice were it not for the shareholder's death or bankruptcy.
  169. Subject to the provisions of the Law, a shareholder, director or any other person entitled to receive notice pursuant to these articles or the Law may

waive receipt thereof, in advance or retroactively, whether in a particular case or in general, and having done so notice shall be deemed to have been given, and the proceedings taken in consequence thereof shall be deemed valid and abiding.

## **Chapter Seven – Structural Change**

### **The Company's reorganization**

170. On selling the Company's property, the board of directors may, or in the case of winding up – the liquidators, if permitted to do so in a resolution passed by a special majority of the general meeting, accept fully or partially paid up shares, debentures or securities of another Israeli or foreign corporation, whether already existing at such time or about to be created for the purpose of purchasing the Company's property, or part thereof, and the board of directors (if the profits of the Company's shareholders so permit) or liquidators (in the case of winding up) may distribute the said shares or securities or any other property of the Company amongst the shareholders without realizing them, or deposit them on trust for the shareholders, and any resolution may resolve on the distribution or setting aside of the cash, or shares or other securities, rights or property of the Company other than precisely in accordance with the legal rights, of the Company's shareholders, or its participants, and on the valuation of the said securities or property at such price and in such manner as the meeting resolves, and all the shareholders shall be liable to accept any valuation or distribution approved as aforesaid and to waive all their rights in such matter, save, in the event that the Company is about to be wound up or is in winding up proceedings, for those legal rights (if any) that pursuant to the provisions of the Law may not be altered or qualified.

### **Merger**

171. The approval of a merger, as provided in section 327 of the Companies Law, requires a special majority of the general meeting or class meeting, as the case may be, subject to the provisions of any law governing mergers.

### **Winding up**

172. On the Company's winding up, whether voluntarily or otherwise, the liquidator may, pursuant to a special resolution of the Company as set forth in section 334 of the Companies Ordinance, distribute any part of the Company's assets amongst the participants and the liquidator may, with similar approval, vest any part of the Company's assets in trustees, in such trusts in favor of the participants or any of them as it deems fit.

173. A distribution of assets shall be effected in accordance with the order of priority between the participants, such that every participant shall receive, to

the extent possible, the pro rata part due to him in accordance with his rights.