

## **CORPORATE GOVERNANCE**

- **Terms of reference of the Audit/Remuneration and Nomination Committees**
- **Schedule of matters specifically reserved for decision by the full board**
- **Procedure for directors to take independent professional advice**

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## **PART A**

### **Terms of reference of the Audit Committee**

#### **1 Membership**

1.1 The board of directors of the company (the "Board") has resolved to establish a committee of the Board to be known as the Audit Committee. The Audit Committee shall also serve as the Audit Committee required under Section 114 of the Israeli Companies Law 5759-1999 (the "Israeli Act").

1.2 Membership of the Audit Committee shall consist of at least three members. Each and every member of the Audit Committee shall be an independent non-executive director. At least one member of the Audit Committee should have recent and relevant financial experience. The two 'external directors' appointed in accordance with the Israeli Act shall both be members of the Audit Committee.

1.3 The members of the Audit Committee for the time being shall be appointed by the Board, but on the recommendation of the Nomination Committee and in consultation with the chairman of the Audit Committee. The chairman of the Board, any director employed by the company or whom provides the company with services on a permanent basis, and a person 'controlling' the company are not eligible to be a member of the Audit Committee.

The term 'control' shall mean the ability to direct the activity of a corporation, excluding an ability deriving merely from holding an office of director or another office in the corporation, and a person shall be presumed to control a corporation if he holds half or more of a certain type of means of control of the corporation.

1.4 Subject to the normal periodic re-election of directors and to clauses 1.2 and 1.3 above, a member of the Audit Committee shall serve an initial term of three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent.

#### **2 Quorum**

A quorum shall be all three members of the Audit Committee. All reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

### **3 Chairman**

- 3.1 The Board shall appoint one of the members of the Audit Committee to be chairman of the Audit Committee. If the chairman is not present at a meeting of the Audit Committee, then the remaining members present shall elect one of their number to chair the meeting.
- 3.2 The chairman of the Audit Committee shall be available to answer questions through the chairman of the Board on the report on the Audit Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.

### **4 Attendance**

- 4.1 No one other than the chairman of the Audit Committee and its members is entitled to be present at a meeting of the Audit Committee, provided that the company's internal auditor shall be entitled to notice of and to be present at all meetings of the Audit Committee. Attendance at meetings of the Audit Committee by any other non-members, such as the chairman of the Board, the chief executive officer and other members of the Board, shall be at the discretion of the Audit Committee. The Audit Committee shall each year have at least one meeting, or part of a meeting, with the company's auditor and its internal auditors (if any) without any member of the company's management present to discuss matters relating to the remit of the Audit Committee and any issues arising from the audit.
- 4.2 There will be a secretary appointed to the Audit Committee who shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The secretary shall prepare minutes of the Audit Committee meetings and shall circulate them to all members of the Audit Committee and to the chairman and other members of the Board.

### **5 Frequency of meetings**

- 5.1 The Audit Committee shall meet as frequently as the chairman, in consultation with the company secretary, shall require and also at regular intervals to deal with routine matters and, in any event, not less than three times in each financial year. Additionally, the Audit Committee shall meet in order to approve all matters that require its approval under the Israeli Act. Any member of the Audit Committee, the

company's auditor or its internal auditors (if any) may request a meeting if he/she considers that one is necessary or expedient.

- 5.2 Meetings will be arranged to coincide with key dates within the company's financial reporting and audit cycle where appropriate. A sufficient interval should be allowed between meetings of the Audit Committee and meetings of the Board to allow any work arising from a meeting of the Audit Committee to be carried out and reported to the Board as appropriate.

## **6 Authority**

- 6.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company, or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Audit Committee including requests to attend meetings of the Audit Committee.

- 6.2 The Audit Committee is authorised by the Board to obtain any outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

## **7 Responsibilities**

The Audit Committee has the responsibilities set out below for the company and also for any major subsidiary undertakings as appropriate.

The Audit Committee shall:

- 7.1 satisfy itself that the annual accounts, the preliminary statement of financial results, the interim statement of financial results, announcements relating to the company's financial performance and any other major financial statements issued by the company follow generally accepted accounting principles and give a fair and meaningful account of the affairs of the company and of any subsidiary undertakings as appropriate. The Audit Committee should review significant financial reporting judgments contained in these statements and announcements. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such

as announcements of a price sensitive nature. The requirements of this paragraph should be met whenever practicable;

- 7.2 satisfy itself that matters raised by its members or the company's auditor or the company's internal auditors (if any) about any aspect of the accounts or of the company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board and resolved;
- 7.3 consider and make appropriate recommendations to the Board for the shareholders to consider at the annual general meeting relating to the appointment, re-appointment and removal of the company's auditor. The Audit Committee shall oversee the process for selecting a new company auditor. If the company's auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and shall recommend to the Board whether any action is required;
- 7.4 meet with the company's auditor to discuss and review, before the start of each annual audit, the nature and scope of the audit, the annual audit plan (in order to ensure that it is consistent with the scope of the audit engagement) and the level of the audit fee (in order to ensure that it is appropriate to enable an adequate audit to be conducted). The Audit Committee shall, taking into consideration relevant local professional and regulatory requirements, discuss annually with the company's auditor its qualifications, expertise, resources, independence and objectivity and the effectiveness of the audit process. The Audit Committee shall ensure that key partners within the appointed firm are rotated at appropriate intervals;
- 7.5 satisfy itself that there are no family, employment, investment, financial, business or other relationships between the auditor and the company other than in the ordinary course of business and/or other than if such relationships have obtained the appropriate corporate approvals as required under applicable Israeli laws and regulations (which may include approval of the Audit Committee itself). The Audit Committee shall agree with the Board and monitor and implement a policy on the employment of former employees of the company's auditor;
- 7.6 ensure co-ordination where more than one audit firm is involved;
- 7.7 request and review an annual report from the company's auditor on its quality control procedures and review steps taken by the company's auditor to respond to changes in regulatory and other requirements;
- 7.8 recommend to the Board the audit fee and the terms of engagement of the company's auditor. The Audit Committee shall approve in advance any fees in

respect of non-audit services provided by the company's auditor. The Audit Committee shall review, monitor and implement a policy on the engagement of the company's auditor to supply other professional services to the company and its subsidiary undertakings to ensure that the company's auditor continues to be objective and remains independent from the company's management whilst still providing value for money. The Audit Committee shall take into account relevant ethical guidance;

- 7.9 review any representation letter requested by the company's auditor before it is signed by any member of the management of the company;
- 7.10 review the company's auditor's management letter and the response of the company's management to it;
- 7.11 meet with the company's auditor to discuss and review the findings of the audit. This shall include (but not be limited to) a discussion of:
  - 7.11.1 any major issues which arise during the audit;
  - 7.11.2 any accounting and audit judgments; and
  - 7.11.3 levels of errors identified during the audit;
- 7.12 review the company's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of these matters and appropriate follow up action;
- 7.13 review, and challenge where necessary, the actions and judgments of the company's management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
  - 7.13.1 critical accounting policies and practices, any changes in them and the consistency of them on a year-on-year basis both across the company and any subsidiary undertakings (as appropriate);
  - 7.13.2 decisions requiring a major element of judgment taking into account the view of the company's auditor;
  - 7.13.3 the extent to which the financial statements are affected by any significant or unusual transactions in the year under review, how they

- are accounted for where different approaches are possible and how they are disclosed;
- 7.13.4 the clarity of disclosures and the context in which statements are made;
  - 7.13.5 significant adjustments resulting from the audit;
  - 7.13.6 the going concern assumption;
  - 7.13.7 compliance with accounting standards taking into account the view of the company's auditor;
  - 7.13.8 compliance with stock exchange and other legal and regulatory requirements;
  - 7.13.9 reviewing all material information presented with the financial statements to the extent that it relates to audit and risk management;
  - 7.13.10 reviewing the policies and process for identifying and assessing business risks and the management of those risks by the company;
- 7.14 discuss problems and reservations arising from the interim and final audits, and any matters the company's auditor may wish to discuss (in the absence of the company's management where necessary);
  - 7.15 consider the company's management's response to any major external or internal audit recommendations;
  - 7.16 monitor and review the effectiveness of the company's financial reporting and controls and its systems for internal control and risk management (for both financial and non-financial risks). The Audit Committee shall review management's and the internal auditor's reports on the effectiveness of these systems and shall review and approve the statements on internal control and risk management to be included in the company's annual report prior to its endorsement by the Board;
  - 7.17 monitor and review the effectiveness of the internal audit function in the context of the company's risk management system, its remit and the annual internal audit plan, ensure co-ordination between the internal and external auditors and ensure that the internal auditor function is adequately resourced and has appropriate access to information to enable it to be effective and comply with relevant professional standards;

- 7.18 ensure that the internal audit function has appropriate standing within the company and is free from management or other restrictions;
- 7.19 review promptly all reports on the company from the internal auditor and ensure that the head of internal audit has direct access to the chairman of the Board and to the Audit Committee;
- 7.20 recommend to the Board the appointment or removal of the head of internal audit;
- 7.21 where no such internal audit function exists, review annually the need for one and make an appropriate recommendation to the Board;
- 7.22 institute special projects or investigations on any matter within the Audit Committee's terms of reference as it sees fit, following consultation with the chief financial officer. The Audit Committee shall be provided with the necessary resources to access information for these purposes. The Audit Committee shall review any significant findings of internal investigations. Additionally, it shall consider from time to time whether any special remit should be referred to the company's auditor or to any other external body;
- 7.23 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- 7.24 ensure that it receives appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.25 give due consideration to legal and regulatory requirements and the provisions of the Combined Code; and
- 7.26 consider any other matter specifically referred to the Audit Committee by the Board or as required under the provisions of the Israel Companies Law 5759-1999.

## 8 **Reporting procedures**

- 8.1 The Audit Committee shall report to the Board after each meeting on all matters within its terms of reference. The Audit Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 8.2 A summary of the Audit Committee's duties and work, including the membership of the committee, the number of committee meetings held, attendance over the course

of the year and reference to examination of the annual accounts, shall be included each year in the company's annual report.

- 8.3 The Audit Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations to the Board.
- 8.4 The chairman or at least one other member of the Audit Committee shall attend the meeting of the Board at which the accounts are approved.

## **PART B**

### **Terms of reference of the Remuneration and Nomination Committee**

#### **1 Membership**

- 1.1 The board of directors of the company (the "Board") has resolved to establish a committee of the Board to be known as the Remuneration and Nomination Committee.
- 1.2 Membership of the Remuneration and Nomination Committee shall consist of at least two members, one of which is an 'external director' appointed in accordance with the Israeli Companies Law 5759-1999, and each being an independent non-executive director. Any other members of the Remuneration and Nomination Committee shall also be directors.
- 1.3 The members of the Remuneration and Nomination Committee for the time being shall be appointed by the Board.
- 1.4 Subject to the normal periodic re-election of directors, a member of the Remuneration and Nomination Committee shall serve a term of three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent and a member of the Board.

#### **2 Quorum**

A quorum shall be two members of the Remuneration and Nomination Committee. All reasonable efforts shall be made to give notice of meetings of the Remuneration and Nomination Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. No member of the Remuneration and Nomination Committee shall attend or form part of the quorum in relation to any appointment in which he/she has personal interest.

#### **3 Chairman**

- 3.1 The Board shall appoint one of the members of the Remuneration and Nomination Committee to be the chairman of the Remuneration and Nomination Committee. The chairman of the Board shall not be the chairman of the Remuneration and Nomination Committee. If the chairman is not present at a meeting of the Remuneration and Nomination Committee, then the remaining members present shall elect one of their number to chair the meeting.

3.2 The chairman of the Remuneration and Nomination Committee shall be available to answer questions through the chairman of the Board on the report on the Remuneration and Nomination Committee's activities and matters falling within its terms of reference at the annual general meeting of the company.

3.3 The chairman of the Remuneration and Nomination Committee shall report to the Board to enable it to report to the company's shareholders on remuneration matters as specified in the Combined Code.

#### 4 **Attendance**

4.1 No one other than the chairman of the Remuneration and Nomination Committee and its members is entitled to be present at a meeting of the Remuneration and Nomination Committee. Attendance at meetings of the Remuneration and Nomination Committee by non-members, the chairman of the Board, the chief executive officer and other members of the Board shall be at the discretion of the Remuneration and Nomination Committee.

4.2 The chief executive officer of the company has the right to attend meetings of the Remuneration and Nomination Committee to advise its members and to discuss the performance of the other executive directors and to make proposals as necessary.

4.3 Professional advisers and other persons with relevant experience, including the chief executive officer, other executive directors of the company and the head of human resources, may attend all meetings or part of a meeting of the Remuneration and Nomination Committee by invitation provided that no person shall attend during the Remuneration and Nomination Committee's deliberations concerning that person's own remuneration. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connections with the company.

4.4 The company secretary shall be the secretary of the Remuneration and Nomination Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The company secretary shall prepare minutes of the Remuneration and Nomination Committee meetings and shall circulate them to all members of the Remuneration and Nomination Committee and to the chairman and other members of the Board, unless a conflict of interest exists.

## 5 **Frequency of meetings**

The Remuneration and Nomination Committee shall meet as the chairman, in consultation with the company secretary, shall require and also at regular intervals to deal with routine matters and, in any event, at least twice in each financial year. Any member of the Remuneration and Nomination Committee may request a meeting if he/she considers that one is necessary or expedient. Formal meetings, for example, in relation to the formal recommendation regarding the grant of employee share options may be held by telephone.

## 6 **Authority**

6.1 The Remuneration and Nomination Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Remuneration and Nomination Committee including requests to attend meetings of the Remuneration and Nomination Committee.

6.2 The Remuneration and Nomination Committee is authorised by the Board to obtain such outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

## 7 **Responsibilities**

(A) As to remuneration, the Remuneration and Nomination Committee shall:

7.1 subject to any approvals required under the provisions of the Israeli Act:

determine and agree with the Board the framework or broad policy for the remuneration of the executive directors of the company. The Remuneration and Nomination Committee should ensure that appropriate incentives are used to enhance the performance of the executive directors of the Company and to ensure that they are rewarded in a fair and responsible manner for their individual contributions to the success of the company. At a minimum, the committee should have delegated responsibility for discussing and recommending remuneration for all executive directors. The remuneration of non-executive directors shall be a matter for the chairman of the Board and executive members of the Board, subject to any

- shareholder and Audit Committee approval required under applicable law. No director or manager should be involved in any decisions as to his/her own remuneration;
- 7.2 review the framework or broad policy for remuneration to ensure it remains appropriate and relevant;
  - 7.3 approve the design of and determine targets for any performance-related pay schemes operated by the company and approve the total annual payments made under the schemes;
  - 7.4 review the design of and changes to all share incentive plans for approval by the Board and (if applicable) by the shareholders. The Remuneration and Nomination Committee shall recommend whether awards will be made under share incentive plans, the overall amount of the awards, the individual awards to members of the executive management and the relevant performance targets;
  - 7.5 subject to any approvals required under the provisions of the Israeli Act, determine the policy for and scope of pension arrangements for the executive directors of the Company;
  - 7.6 ensure that contractual terms on termination, and any payments made, are fair to the executive director and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
  - 7.7 subject to any approvals required under the provisions of the Israeli Act, within the terms of the agreed policy and in consultation with the chairman of the Board and/or chief executive officer as appropriate, suggest the total individual remuneration package of each executive director of the Company where appropriate, bonuses, incentive payments and share options or other share awards;
  - 7.8 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and associated guidance (to the extent that the provisions and recommendations apply to the Company);
  - 7.9 monitor and review annually the remuneration trends across the Company and its subsidiary undertakings (as appropriate);
  - 7.10 be aware of and advise on any major changes in employee benefit structures throughout the Company or its subsidiary undertakings (as appropriate);
  - 7.11 agree the policy for authorising claims for expenses from the executive directors;

- 7.12 ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the Combined Code (to the extent that it applies to the Company), are fulfilled;
  - 7.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
  - 7.14 obtain information about remuneration in other companies that is reliable and up-to-date. The Remuneration and Nomination Committee shall have full authority to commission any reports or surveys it requires to meet its responsibilities;
  - 7.15 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
  - 7.16 consider any other matter specifically referred to the Remuneration and Nomination Committee by the Board; and
  - 7.17 have authority to approve all documents (including service contracts) and do all things as may be necessary or desirable for the purpose of carrying out its responsibilities.
- (B) As to nomination, the Remuneration and Nomination Committee shall:
- 7.18 lead the selection process of candidates and propose to the Board any new Board appointments, whether of executive or non-executive directors;
  - 7.19 in nominating directors, give due regard to the contents of the Combined Code as well as associated guidance;
  - 7.20 be responsible for identifying and nominating for the approval of the Board, or the shareholders as applicable, candidates to fill Board vacancies as and when they arise;
  - 7.21 before making an appointment, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
  - 7.22 for the appointment of a chairman of the Board, prepare a job specification, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;

- 7.23 review annually and articulate the time needed to fulfil the role of chairman of the Board, senior independent director and non-executive director. Formal and vigorous performance evaluation should be used to assess whether each non-executive director is spending enough time to fulfil his/her duties;
- 7.24 consider candidates from a wide range of backgrounds. In identifying suitable candidates, it may use open advertising or the services of external advisers to facilitate the search and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- 7.25
- 7.26 regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and subject to the provisions of the Company's Articles of Association and the Israeli Act, make recommendations to the Board with regard to any changes;
- 7.27 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 7.28 keep itself up-to-date and fully informed about strategic issues and commercial changes affecting the company and its subsidiary undertakings (if any) and the market in which they operate;
- 7.29 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- 7.30 ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside of Board meetings; and
- 7.31 consider any other matter specifically referred to the Remuneration and Nomination Committee by the Board.
- (C) As to Nomination, the Remuneration and Nomination Committee shall make recommendations to the Board concerning:
- 7.32 suitable candidates for the role of senior independent director;
- 7.33 plans for succession for executive and non-executive directors;

- 7.34 the re-appointment of any non-executive director at the conclusion of his/her specified term of office having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
- 7.35 the re-election by shareholders of any director under the company's articles of association having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
- 7.36 membership of the Audit/ Remuneration and Nomination Committees, in consultation with the chairmen of those committees;
- 7.37 any matters relating to the continuation in office of any director at any time. The Remuneration and Nomination Committee shall, in particular, make recommendations to the Board concerning matters relating to any director who has reached the age of [70] or the suspension or termination of service of an executive director as an employee of the company in accordance with the terms of his/her service contract and/or relevant law; and
- 7.38 the appointment of any director to any executive or other office other than to the positions of chairman of the Board or chief executive officer, the recommendation in respect of which should be considered at a meeting of the Board.

## 8 **Reporting procedures**

- 8.1 The Remuneration and Nomination Committee shall report to the Board after each meeting on all matters within its terms of reference. The Remuneration and Nomination Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 8.2 A summary of the Remuneration and Nomination Committee's duties and work, including the membership of the committee, the number of committee meetings held and attendance over the course of the year shall be included each year in the company's annual report.
- 8.3 The Remuneration and Nomination Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations to the Board.

## **PART C**

### **Schedule of matters specifically reserved for decision by the full board**

#### **1 Management Structure and Appointments**

- Senior management responsibilities
- Board and other senior management appointments or removals
- Board and senior management succession, training, development and appraisal
- Appointment or removal of Company Secretary
- Appointment or removal of internal auditor
- Remuneration and contracts for senior management and any grants of options and other incentive arrangements involving securities of the company
- Delegation of the Board's powers
- Agreeing membership and terms of reference of board committees and task forces
- Establishment of managerial authority limits for smaller transactions
- Matters referred to the Board by the board committees

#### **2 Strategic/Policy Consideration**

- Business strategy
- Diversification/retrenchment policy
- Specific risk management policies including insurance, hedging, borrowing limits and corporate security
- Agreement of codes of ethics and business practices
- Receive and review regular reports on internal controls
- Annual assessment of significant risks and effectiveness of internal controls
- Calling of shareholders' meetings
- Avoidance of wrongful or fraudulent trading

#### **3 Transactions**

- Acquisitions and disposals of subsidiaries or other assets or liabilities over 5% of net assets/profits
- Investment and other capital projects over a similar level
- Substantial commitments including:

pension funding;

contracts in excess of one year's duration; and giving security over significant group assets (including mortgages and charges over the group's property).

- Contracts not in the ordinary course of business
- Actions or transactions where there may be doubt over propriety
- Approval of prospectus, circulars and similar documents
- Disclosure of directors' interests
- Transaction with directors or other related parties

#### 4 **Finance**

- Raising new capital and confirmation of major financing facilities
- Treasury policies including foreign currency and interest rate exposure
- Discussion of any proposed qualification to the accounts
- Final approval of annual and interim reports and accounts and accounting policies
- Appointment/proposal of auditors
- Charitable and political donations
- Approval and recommendation of dividends
- Operating budgets

#### 5 **General**

- Governance of company pension schemes and appointment of company nominees as trustees
- Allotment, calls or forfeiture of shares

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the group.

Under Israeli law, matters referred to in this Part C may also require a decision by the shareholders and/or the Audit Committee.

## **PART D**

### **Procedure for directors to take independent professional advice**

#### **1 Introduction**

- 1.1 Occasions may arise when directors have to seek legal or financial advice in furtherance of their duties. Directors are always able to consult the company's advisers and it is not intended to restrict or discourage this in any way. However, the board of directors of the company (the "Board") has adopted the procedure set out below for circumstances where a director of the company considers it necessary to take independent professional advice in the furtherance of his/her duties, at the company's expense.

Any advice taken will be in his/her capacity as a director, not on behalf of the company or of the entire Board. Advisers should be notified accordingly. Failure to follow these procedures will mean that the director concerned will be responsible for any costs incurred.

The procedure set out below does not cover advice concerning the personal interests of a director including matters relating to his/her service contract or his/her dealings in the company's securities or in relation to disputes with the company. In such cases, the director concerned will be personally responsible for the cost of obtaining such advice.

#### **2 Procedure**

- 2.1 Where a director considers it necessary to take independent professional advice in furtherance of his/her duties, he/she should first consult with the company's advisers through the company secretary to clarify their advice and to identify his/her concerns with them directly unless, in the circumstances, he/she reasonably considers that such consultations would be inappropriate.

#### **2.2 If:**

2.2.1 a director reasonably considers it necessary to take professional advice in furtherance of his/her duties from independent advisers and not from the company's professional advisers; or

2.2.2 following consultations with the company's advisers or where consultation is reasonably considered to be inappropriate as outlined in

paragraph 2.1, the director reasonably considers it necessary to take independent professional advice,

the director may take independent professional advice at the company's expense (up to a limit of £1,000 and disbursements or such higher figure as the Board may determine) after first giving notice in writing to the company secretary with details of the matter on which he/she is proposing to seek advice and the advisers he/she is proposing to consult together with the fee arrangements and an estimate of the costs to be incurred.

2.3 Where either paragraph 2.2.1 or 2.2.2 applies and the expenses of taking independent advice are likely to exceed £1,000 and disbursements or the higher figure (if any) determined by the Board, the director should discuss his/her concerns with the chairman of the Audit Committee (having first given him/her and the company secretary notice in writing containing the same details as are required for a notice given under paragraph 2.2) and explain why he/she considers it necessary to take independent professional advice. Following discussions with the director, the chairman of the Audit Committee shall either:

2.3.1 authorise in writing the payment by the company of the reasonable fees of such independent advisers as he/she approves (with or without a limit at his/her discretion) for advising the director on those matters raised by that director which the chairman of the Audit Committee considers appropriate; or

2.3.2 set out in writing the reasons why he/she considers that there is no arguable case for the company to pay the cost of obtaining the independent professional advice in question. The director may then require that the matter be considered by the full Audit Committee which shall determine whether or not the director should be authorised to obtain independent professional advice on the matters raised at the company's expense. Any authority given by the Audit Committee should be in the form of an Audit Committee chairman's authority as set out in paragraph 2.3.1.

2.4 In his/her own case, the chairman of the Audit Committee should discuss his/her concerns with the other members of the Audit Committee (having first given them and the company secretary notice in writing containing the same details as are required for a notice given under paragraph 2.2) who shall deal with the matter in

accordance with the procedure for an Audit Committee chairman's authority as set out in paragraph 2.3.1 or the first sentence of paragraph 2.3.2.

- 2.5 Where a director considers it necessary to seek independent professional advice, the matter will be included on the agenda for every meeting of the Board until the issue requiring independent advice is resolved.

