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# SHL TeleMedicine Ltd. Corporate Governance Report

## Introduction

The corporate governance framework of SHL Telemedicine Ltd. (“SHL” or the “Company”) reflects a system of checks and balances among the powers of the shareholders, the Board of Directors (the “Board” or the “Board of Directors”) and the management with the goal to safeguard the interests of SHL and its shareholders while creating sustainable value. SHL is committed to creating transparent, progressive and sustainable corporate management and strives to continuously improve these checks and balances.

Documents related to SHL’s corporate governance can be accessed at the Corporate Governance Section of the SHL website (<https://www.shl-telemedicine.com/corporate-governance/>).

## Changes in the Financial Year 2021

The year under review was marked by the continuous outbreak of the global COVID-19 pandemic. SHL, as a leading provider and developer with vast experience in the field of telemedicine, was well-positioned to leverage its assets and know-how and benefit from this change. Being a rolling event, the pandemic had impacted the Company’s financial results mainly due to operational inefficiencies. Nevertheless, the Company manages to build a valuable pipeline of customers and potential deals. During 2021, the Company accomplished significant developments in implementing the Company’s growth strategy in all markets. We expect that the COVID-19 pandemic shall continue to serve as a catalyst to the adaption of telemedicine while still impacting the Company’s operations. The Company continued to build strategic channels leading to a valuable pipeline of customers. On December 17, 2020, SHL announced the private placement of new shares and options in two tranches to raise around CHF 35 million which were closed on January 21, 2021 and February 17, 2021 respectively (for further information see Section 2.3 “Changes in Capital Structure within the Last Three Financial Years”).

On September 1, 2021, the Company closed the acquisition of 70% of the holdings in Mediton Group, a leading B2B healthcare services

provider in Israel. The acquisition contributed to all of SHL’s financial parameters.

## Swiss Takeover Board Proceeding

In its decision 0672/01, the Swiss Takeover Board (“TOB”) dated January 26, 2018 to declare Mengke Cai, Xiang Xu, Himalaya (Cayman Islands) TMT Fund, Himalaya Asset Management Ltd., and Kun Shen as acting in concert and being obliged to publish a tender offer for all SHL shares. In its further decision 0672/04 dated September 1, 2018, the TOB resolved not to grant an extension of the deadline for such tender offer and to suspend said parties’ voting rights as well to prohibit any purchase of additional shares by same the parties until such tender offer would be performed. On May 29, 2019, the TOB, on its own initiative, reduced the minimum price of the mandatory tender offer to CHF 7.70 following a dividend distribution of USD 1.00 by SHL in April 2019. In 2020 and in 2021 said parties continued being in breach of their obligation to publish a tender offer for all shares of SHL (for further information on the events in 2019 please refer to our Corporate Governance Report regarding the year of 2019). It should be noted that as of the date hereof, the voting rights attached to the aforesaid shares are still suspended.

## Board of Directors

As of December 31, 2021, the members of the Board are the following: (a) Mr. Yariv Alroy (chairman); (b) Mr. Elon Shalev until May 30, 2021, and Mr. David Salton from May 31, 2021; (c) Mr. Yehoshua Abramovich (Independent (external) Director); (d) Ms. Dvora Kimhi (Independent (external) Director); (e) Prof. Amir Lerman; (f) Mr. Erez Nachtomy; and (g) Mr. Erez Alroy.

Since the Special General Meeting held on December 10, 2018 and as of the date hereof, the members of the audit committee, the compensation committee and the financial statements committee of SHL (“Audit Committee”, “Compensation Committee” and “FS Committee”, respectively) are Mr. Yehoshua Abramovich, Ms. Dvora Kimhi and Prof. Amir Lerman (said composition is in accordance with

the requirements of the Israeli Companies Law 5759-1999 (the “Israeli Companies Law” or the “Companies Law”) and the regulations promulgated thereunder).

In the Annual General Meeting held on December 9, 2021 (the “2021 AGM”), the following members of the Board were re-elected: (a) Mr. Yariv Alroy (Chairman); (b) Mr. David Salton; (c) Prof. Amir Lerman; (d) Mr. Erez Nachtomy; and (e) Mr. Erez Alroy. Ms. Dvora Kimhi was re-appointed as an Independent (external) Director for an additional term of three (3) years, commencing on December 10, 2021. The 2021 AGM approved, inter alia, an amendment to the compensation of the Company’s directors, including Mr. Yariv Alroy who also serves as the Active Chairman of the Board (as defined below. For further information, please refer to Sections 3.3 and 5.1 below).

Resumes of the current Board members can be viewed on the Company’s website [https://www.shl-telemedicine.com/team\\_category/leadership\\_team/](https://www.shl-telemedicine.com/team_category/leadership_team/) as well as in Section 3.1.

### Management

Mr. Erez Nachtomy was appointed as CEO on May 17, 2020, following Mr. Yoav Rubinstein’s resignation, and has been serving since. Mr. Amir Hai was appointed as CFO in January 2022, replacing Mr. Yossi Vadnagra who served as interim CFO since July 2021, in addition to his current role as the General Manager of the Company’s operations in Israel. Mr. Yoni Dagan was appointed as CTO in January 2017, and has been serving until October 2021.

### Laws and regulations

The principles and rules of SHL on corporate governance are laid down in the Articles of Association of SHL, the Israeli Companies Law and the regulations promulgated thereunder, as well as other Israeli legislation applicable to SHL. As SHL is traded on the SIX Swiss Exchange, it has additionally taken upon itself to comply with certain reporting requirements of the listing rules of the SIX Swiss Exchange. In addition, certain reporting requirements apply to it directly as a foreign issuer with a main trading market on the SIX Swiss Exchange (for further information, please refer to Section 8 below).

The information presented here is updated as of December 31, 2021, unless otherwise noted, and was prepared in accordance with the Corporate Governance Directive of the SIX Swiss Exchange.

## 1. Group Structure and Shareholders

### 1.1 Group Structure

#### 1.1.1 Operational Group Structure

SHL is a company incorporated in Israel whose shares are publicly traded on the SIX Swiss Exchange under the symbol SHLTN (see Section 1.1.2 for additional information on the Company). During 2021 the Company and its subsidiaries in Israel, Germany, and the U.S. operated in one business segment - telemedicine services. SHL and its subsidiaries develop and market advanced personal telemedicine solutions. Personal telemedicine is the transmission of medical data by an individual, from a remote location, to a medical call center via telecommunication networks. SHL’s personal telemedicine systems are designed to improve quality of care and life for people suffering from various health conditions ranging from the high-risk and chronically ill to ordinary users of healthcare products and services who wish to take a more active role in managing their own health.

Telemedicine services are the provision of telemedicine services and devices to subscribers utilizing telephonic and internet communication technology. SHL’s telemedicine solutions offer centralized remote diagnostic and monitoring services to end-users, making use of computer systems, high-tech devices, and specially designed medical data protocols. SHL’s platforms offer solutions to subscribing patients, health insurance companies, hospitals, clinics, physicians and other health care providers. SHL Telemedizin GmbH, an indirectly wholly owned subsidiary of the Company, together with its subsidiaries Almeda Gesundheitsservices GmbH, Gesellschaft für Patientenhilfe DGP mbH, and Jumedix GmbH (acquired in January 2021) (together “SHL Germany”), operate in the German market and provide telemedicine services to patients in Germany, mainly through German health insurers. SHL Germany is run as a stand-alone business and enjoys a high degree of autonomy, with its own management, whereby corporate

headquarters at SHL provides certain central functions (such as business development and accounting), as well as oversight and control on an ongoing basis (see below).

SHL and its Israeli subsidiaries Shahal Haifa-Medical Services Ltd., Shahal Rashlatz- Rehovot Medical Services Ltd. (and its subsidiaries - Mediton Medical Centers Chain Ltd, Mediton Adam Ltd. and Medishur Ltd.) (together “SHL Israel”) operate in the Israeli market. Shahal Haifa- Medical Services Ltd., Shahal Rashlatz- Rehovot Medical Services Ltd. provide telemedicine services mainly to private paying subscribers. Mediton Medical Centers Chain Ltd. provides private medical services, medical and solutions advice as well as project management in various fields of medicine, including periodic surveys, medical examinations for organizations, occupational examinations and operation of specialist clinics, and Medishur Ltd. performs, through subcontractors, medical examinations for insurance companies. Mediton Adam Ltd. is a subsidiary of Mediton Medical Centers Chain Ltd. SHL Israel is run as a stand-alone business under the Company’s management, with corporate headquarters providing certain central functions (such as business development and accounting), as well as oversight and control on an ongoing basis.

SHL Telemedicine USA, Inc., a second-tier subsidiary (granddaughter company) of SHL, operates in the US market (“SHL USA”) and sells telemedicine devices and services to healthcare professionals. SHL USA is active mainly in business development and sales and marketing activities together with corporate management. SHL Telemedicine India Private Limited conducted the group’s activities in India (“SHL India”) and sold telemedicine devices and services to healthcare professionals and private paying subscribers. SHL India was active mainly in business development and sales and marketing activities together with corporate management, but it has ceased to promote its activities during 2016 and is in the process of winding down. Research and development activities are conducted by SHL Telemedicine International Ltd. (“SHL INT”). Production of devices is outsourced by SHL INT to third party manufacturers with telemedicine devices being sold by SHL INT to SHL Germany, SHL Israel and

SHL USA. In addition, SHL INT provides software development and maintenance services to all group entities. Corporate management is located at SHL Telemedicine and SHL INT and is active in performing its corporate duties, i.e. group management, business development, finance and oversight and control on an ongoing basis of its different territories (SHL Germany, SHL Israel, SHL USA, SHL India and SHL INT).

#### **1.1.2 Description of the material group companies belonging to the SHL group:**

##### **The listed Company**

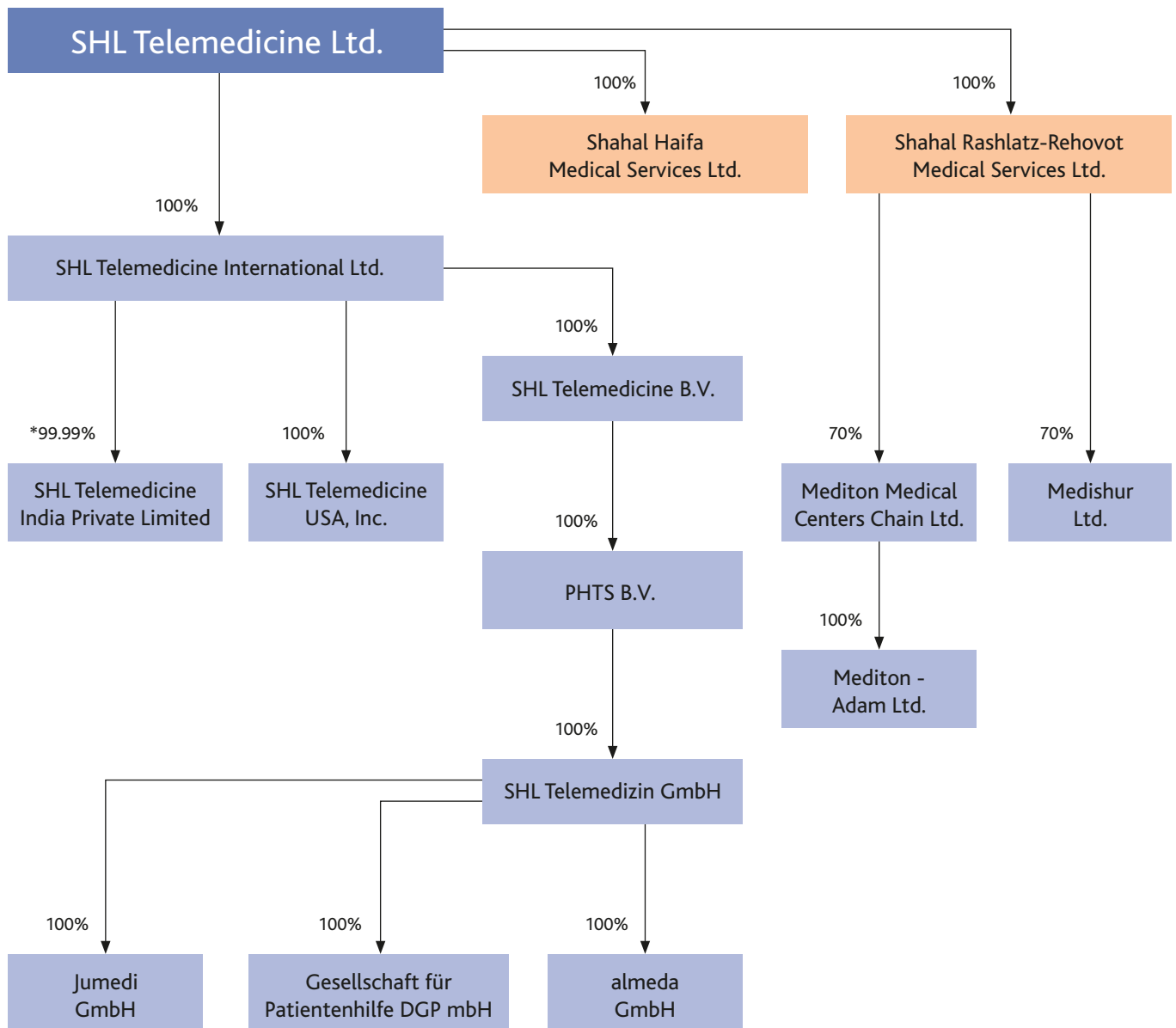
As of December 31, 2021, SHL’s authorized share capital is 250,000 New Israeli Shekel (“NIS”) divided into 25,000,000 ordinary shares of NIS 0.01 par value each, of which 14,506,005 shares are issued (14,834 shares held in treasury). The shares of SHL are traded on the main board of the SIX Swiss Exchange, security no.1128957, ISIN IL0010855885. As of December 31, 2021, SHL’s market capitalization was CHF 275.3 million. SHL’s registered office is located at 90 Yigal Alon Street (Ashdar Building), Tel-Aviv, Israel. None of the issued and outstanding share capital of SHL is held by SHL’s subsidiaries.

### Non-Listed Companies Belonging to the SHL Group:

Name	Domicile	Share Capital and % of holding (directly or indirectly through wholly owned subsidiaries)
Shahal Haifa - Medical Services Ltd	Tel-Aviv, Israel	<i>Authorized Share Capital:</i> NIS 13,000, divided into 13,000 ordinary shares par value NIS 1.00 each <i>Issued Share Capital:</i> 200 ordinary shares 100% (held by SHL)
Shahal Rashlatz-Rehovot Medical Services Ltd.	Tel-Aviv, Israel	<i>Authorized Share Capital:</i> NIS 16,600 divided into 16,600 ordinary shares par value NIS 1.00 each <i>Issued Share Capital:</i> 100 ordinary shares 100% (held by SHL)
SHL Telemedicine International Ltd. ("SHL INT")	Tel-Aviv, Israel	<i>Authorized Share Capital:</i> NIS 101,000 divided into 101,000 ordinary shares par value NIS 1.00 each <i>Issued Share Capital:</i> 10,000 ordinary shares 100% (held by SHL)
Mediton - Adam Ltd.	Israel	<i>Authorized Share Capital:</i> NIS 200 divided into 100 management shares par value NIS 2.00 each, and NIS 22,800 divided into 22,800 ordinary shares par value NIS 1.00 each <i>Issued Share Capital:</i> 100 ordinary shares, 4 management shares 70% (100% held by Mediton Medical Centers Chain Ltd.)
Mediton Medical Centers Chain Ltd. ("Mediton")	Tel-Aviv, Israel	<i>Authorized Share Capital:</i> NIS 22,900 divided into 22,900 ordinary shares par value NIS 1.00 each <i>Issued Share Capital:</i> 100 ordinary shares 70% (held by Shahal Rashlatz-Rehovot Medical Services Ltd.)
Medishur Ltd. ("Medishur")	Tel-Aviv, Israel	<i>Authorized Share Capital:</i> NIS 2,640 divided into 2,600 ordinary shares par value NIS 1.00 each and 40 Management shares par value NIS 1.00 each <i>Issued Share Capital:</i> 100 ordinary shares 70% (held by Shahal Rashlatz-Rehovot Medical Services Ltd.)
SHL Telemedicine B.V. ("SHL BV")	Amsterdam, Netherlands	<i>Authorized Share Capital:</i> EUR 75,000 divided into 300,000 ordinary shares par value EUR 0.25 each <i>Issued Share Capital:</i> 74,043 ordinary shares. 100% (held by SHL INT)
Personal Healthcare Telemedicine Services Europe B.V. ("PHTS")	Amsterdam, Netherlands	<i>Authorized Share Capital:</i> EUR 4,000,000 divided into 400,000 ordinary shares par value EUR 10.00 each <i>Issued Share Capital:</i> 811,500 ordinary shares 100% (held by SHL BV)
SHL Telemedizin GmbH	Munich, Germany	<i>Authorized Share Capital:</i> EUR 300,000 divided into 2 ordinary shares par value EUR 25,000 and EUR 275,000 <i>Issued Share Capital:</i> 2 ordinary shares 100% (held by PHTS)
Almeda GmbH	Munich, Germany	<i>Authorized Share Capital:</i> EUR 25,000 <i>Issued Share Capital:</i> 25,000 shares with par value EUR 1.00 100% (held by SHL Telemedizin GmbH)
Gesellschaft für Patientenhilfe DGP mbH	Munich, Germany	<i>Authorized Share Capital:</i> EUR 25,000 divided into 2 ordinary shares par value EUR 24,750 and EUR 250 <i>Issued Share Capital:</i> 2 ordinary shares 100% (held by SHL Telemedizin GmbH)
Jumedi GmbH	Munich, Germany	<i>Authorized Share Capital:</i> EUR 25,000 <i>Issued Share Capital:</i> 4 shares with par value EUR 6.250 each 100% (held by SHL Telemedizin GmbH)
SHL Telemedicine USA, Inc.	Delaware, USA	<i>Authorized Share Capital:</i> USD 1.00 divided into 100 ordinary shares par value USD 0.01 each <i>Issued Share Capital:</i> 100 ordinary shares 100% (held by SHL INT)
SHL Telemedicine CYP Ltd.	Nicosia, Cyprus	<i>Authorized Share Capital:</i> EUR 100 divided into 100 ordinary shares par value EUR 1.00 each <i>Issued Share Capital:</i> 100 ordinary shares 100% (held by SHL INT)
SHL Telemedicine India Private Limited	Haryana, India	<i>Authorized Share Capital:</i> Rs 7,000,000 divided into 700,000 Equity Shares of Rs 10, each <i>Issued Share Capital:</i> 625,126 Equity Shares 99.9% (held by SHL Cyprus) 0.01% (held by SHL BV)

There are no companies belonging to the consolidated entities of SHL whose equity securities are listed on a stock exchange.

Graphic Overview of Group Companies:





## 1.2 Significant Shareholders

As of December 31, 2021, SHL was aware of the following shareholders with more than 3% of all voting rights in the Company<sup>1</sup>:

	2021 Number of ordinary shares held	2021 % including treasury shares	2021 % excluding treasury shares	2020 % excluding treasury shares	2021 Number of options	2021 Total purchase position	2021 % including treasury shares
Mrs. Mengke Cai and Kun Shen <sup>2</sup>	5,969,413	41.15%	41.19%	56.77%	-	5,969,413	36.12%
Alroy Group <sup>3</sup>	2,507,608	17.29%	17.30%	23.85%	268,000	2,775,608	16.79%
More Provident Funds	894,332	6.17%	6.17%	-	447,166	1,341,498	8.12%
Value Base Group <sup>4</sup>							
Sphera Funds	837,865	5.78%	5.78%	5.51%	129,443	967,308	5.85%
Management Ltd.	596,000	4.11%	4.11%	-	280,000	876,000	5.30%
Danbar Finance Ltd.	540,000	3.72%	3.73%	-	220,000	760,000	4.60%
SHL Treasury shares	14,834	0.10%	-	-	-	14,834	0.09%

1 Calculated on the basis of the then issued and outstanding 14,506,005 shares as of December 31, 2021. The information in these tables is exclusively based on the notifications made by the shareholders to the Disclosure Office pursuant to art. 120 of the Swiss Financial Market Infrastructure Act of 19 June 2015, which are published on the website of SIX Swiss Exchange at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TAI8300022>

2 The respective shares are directly held by GF Fund Management Co. Ltd., 32/F South Tower Poly International Plaza No. 1, East Pazhou, Guangzhou, China the ultimate beneficial owner of which are Cai Mengke, Zhuhai, China and Kun Shen, Hong Kong, China who form an acquisition group. It should be noted that the voting rights attached to these shares are suspended pursuant to the TOB decision (for further information, please refer to the paragraph titled "Swiss Takeover Board Proceeding" above)

3 The Alroy Group is comprised of (i) Mr. Yoram Alroy; (ii) Nehama & Yoram Alroy Investment Ltd., (iii) Mr. Erez Alroy (the son of Mr. Yoram Alroy); (iv) Mr. Elon Shalev (the brother-in-law of Mr. Yoram Alroy); (v) Elon Shalev Investments Ltd.; (vi) Y. Alroy Family Ltd.; and (vii) Southland Holding Ltd. Further, pursuant to the Alroy Group notification, beneficial owners include Yoram Alroy and his wife, Nehama Alroy, as well as their children Yariv Alroy, Erez Alroy and Hila Alroy, and also Elon Shalev and his wife, Ziva Shalev. The Group is based on a shareholder agreement providing for cooperation in the nomination and appointment of directors. For further information regarding the Group please refer to the disclosure notification available at <https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TBL2J00013>.

4 Shareholder group consisting of the following beneficial owners (in the sense of the FMIA): Value Base Ltd. (Tel Aviv, Israel), Harmony Base LP (Tel Aviv, Israel), Ido Nouberger (Tel Aviv, Israel) and Victor Shamrich (Tel Aviv, Israel).

The total sale position of the Company as of December 31, 2021 related to 2,975,829 shares (17%), consisting of investor options referring to 2,140,774 shares and granted incentive plan options referring to 835,055 shares.

The above table does not reflect holdings on a fully diluted basis.

All shareholdings that have been reported to SHL and the Disclosure Office of the SIX Swiss Exchange as per Art. 120 of the Swiss Financial Market Infrastructure Act of 19 June 2015 (FMIA) and published on SIX Swiss Exchange AG's electronic publication platform can be viewed at [https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/.](https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)

SHL is not aware of any other agreements or arrangements among its shareholders.

## 1.3 Cross-Shareholdings

There are no cross-shareholdings exceeding 5% of the share capital and voting rights by any of the Significant Shareholders and SHL.



## 2. Capital Structure

### 2.1 Capital on the Disclosure Deadline

Authorized share capital as of December 31, 2021

Number of Ordinary Shares	25,000,000
Par value	NIS 0.01 each
Share capital	NIS 250,000

Issued and outstanding share capital as of December 31, 2021

Number of Ordinary Shares *	14,491,171
par value	NIS 0.01 each
Share capital	NIS 144,911.71

\* Excluding 14,834 Ordinary Shares held by SHL. For additional information regarding the implications of the purchase by a company of its own shares, see Section 2.4.1 "The Ordinary Shares, Voting Rights".

### 2.2 Authorized Capital, Issued Capital and Options

#### General

Under Israeli law, a company's authorized share capital represents the maximum number of shares which is authorized for issuance by the company. As of the date hereof, and since the increase of the authorized capital resolved by the special general meeting held on January 7, 2021, SHL's authorized share capital is comprised of NIS 250,000 divided into 25,000,000 ordinary shares of NIS 0.01 par value each (the "Ordinary Shares"). The issued and outstanding share capital of SHL, as of December 31, 2021, was NIS 144,911.71, divided into 14,491,171 fully paid issued ordinary shares (excluding 14,834 Ordinary Shares held by SHL).

Any increase in the authorized share capital is valid as of the date of the approval thereof by the shareholders (with respect to special majority requirements, please refer to Section 6.2 below). Authorized share capital, or any increase thereof is not limited in time. However, the shareholders may, at the General Meeting, cancel authorized but not yet issued share capital, provided that the Company did not undertake to issue shares out of such authorized but unissued share capital. Pursuant to SHL's Articles of Association, the unissued shares are under the sole control of the Board of Directors of SHL who has the authority to allot or otherwise dispose of them on such terms and conditions as it may see fit. Generally, any such issuance of shares is valid as of the date of the approval thereof by the Board of Directors.

Under the 2021 Share Incentive Plan (as such term is hereinafter defined) the maximum number of options in SHL's pool is up to 4,077,346 Ordinary Shares (subject to adjustments as set forth in the 2021 Share Incentive Plan) reserved for issuance upon exercise of options that may be granted. As of the date hereof, the pool is 4,077,346, out of which 2,266,994 options are available for grant. For additional information with respect to the share incentive plan adopted by SHL and the grant of options to purchase Ordinary Shares, see the following Section "2021 Share Incentive Plan". The same provisions apply to RSUs (as defined below) granted by SHL under the 2021 Share Incentive Plan, *mutatis mutandis*.

In the framework of the Private Placement (as hereinafter defined), SHL undertook to grant 800,000 First Closing Options and 1,144,444 Second Closing Options to be exercised within 24 months of the First Capital Increase or the Second Capital Increase, respectively (as such terms are defined in the following Section 2.3 "Changes in Capital Structure within the Last Three Financial Years").

#### 2021 Share Incentive Plan

Key employees have been granted share options under the SHL's 2021 Executive and Key Employee Israeli Share Incentive Plan (formerly the "2005 Option Plan" and the "2015 Executive and Key Employee Israeli Share Option Plan") (the "2021 Share Incentive Plan"). The plan is in effect until terminated by the Board. Pursuant to the 2021 Share Incentive Plan, equity compensation, such as options or restricted share units (rights to receive shares of the Company under certain terms and conditions, for a consideration of no more than the underlying shares' nominal value) ("RSUs"), may be granted to executives, directors (whether executive or non-executive) and key employees of the Company or its subsidiaries, whereby the Board of Directors has full discretion to determine the specific grantees from time to time. The maximum number of Ordinary Shares which may be issued under the 2021 Share Incentive Plan and under any other existing or future share incentive plans of the Company is 4,077,346, subject to adjustments as provided in the 2021 Share Incentive Plan.

On December 31, 2021 the number of options actually available for issuing under the 2021 Share Incentive Plan was 2,376,994 (as of the date hereof the number of options actually available for issuing is 2,266,994). No RSUs have been granted so far. Pursuant to the 2021 Share Incentive Plan, the exercise price of options shall be the closing price for an Ordinary Share on the last trading day prior to the grant, unless determined otherwise by the Company's Board of Directors in its discretion. However, with respect to all option grants since May 2010, the Board of Directors determined in each case that the exercise price for such option grants shall be the average share price in the thirty (30) trading days preceding the date of grant. The foregoing has also been stipulated as the exercise price applicable to any grants of share-based compensation to the Company's officers pursuant to the 2020 Company's Officer Compensation Policy adopted on September 21, 2020, and as amended on March 1, 2021, which is in effect till September 20, 2023 (the "2020 Compensation Policy" or the "Compensation Policy", see Section 5.1 "Content and Method of Determining the Compensation and of the Shareholding Programs - Compensation Policy"). Further, pursuant to a resolution of the Board as of November 7, 2010, all options issued under the 2021 Share Incentive Plan are exercised by way of the net exercise method. Options granted under the 2021 Share Incentive Plan shall vest, unless determined otherwise by the Board, one-third (1/3) on each of the first, second and third anniversary of the date of grant, so that all options shall be fully vested and exercisable on the first business day following the lapse of thirty six (36) months from the date of grant, contingent upon the achievement of certain market and performance conditions which, unless determined otherwise by the Board, shall be based on the rate of the increase in the market price of the shares and of the Company's earnings per share. The Board may in its discretion reduce the relevant performance targets to zero, and has done so in all instances since June 2011. The options shall expire six (6) years from the date of grant (unless expired earlier under the terms of the 2021 Share Incentive Plan or the relevant award agreement). With respect to

option grants to Company's officers, the Company's 2020 Compensation Policy provides a certain minimum vesting period, as follows: (i) first cliff after one (1) year from the date of grant; and (ii), full vesting shall occur no earlier than 36 months from the date of such grant. For further information on share options in the context of director and management compensation see Section 5.2 below.

Information with respect to the issued and outstanding SHL share options under the 2021 Incentive Plan is as follows:

	2021	Weighted average exercise price in CHF	2020	Weighted average exercise price in CHF
As of January 1,	421,997	6.10	683,133	7.07
Granted during the year	664,000	11.91	265,000	5.56
Forfeited during the year	(163,000)	8.93	(476,136)	7.10
Exercised during the year	(87,942)	6.57	(50,000)	7.04
<b>Outstanding at the end of the year</b>	<b>835,055</b>	<b>10.12</b>	<b>421,997</b>	<b>6.10</b>
Fair value* at end of year	2,758,142		930,668	
<b>Vested on December 31</b>	<b>146,088</b>	<b>6.52</b>	<b>145,000</b>	<b>7.01</b>

\* The fair value was estimated by an external expert, based on a binomial model

It should be noted that as part of the amendment to Mr. Yariv Alroy's terms of office, which was approved by the Special General Meeting on March 1, 2021, Mr. Alroy was allotted 250,000 options to purchase ordinary shares of the Company at an exercise price of CHF 10.73 per share (reflecting the average price per share in the 30 trading days prior to Board approval). The options' vesting schedule shall be in accordance with the Company's 2021 Incentive Plan, and in the event that Mr. Alroy ceases to serve in his position due to a change of control in the Company, all the options will automatically be fully vested, and shall be exercisable at any time until the lapse of six (6) months from the date of the cessation of his engagement, and shall thereafter terminate.

### 2.3 Changes in Capital Structure within the Last Three Financial Years

As of December 31, 2019, 2020 and 2021, SHL's issued share capital (excluding the ordinary shares held by SHL) was comprised of 10,503,152, 10,514,454 and 14,491,171 Ordinary Shares, respectively. The foregoing changes in the Company's share capital result from the exercise of share options and issuance of Ordinary Shares in the framework of the Private Placement (as defined below).

As of December 31, 2021, the authorized share capital amounted to NIS 250,000.00 divided into 25,000,000 Ordinary Shares of NIS 0.01 par value.

On January 21, 2021, the Company issued 1,300,000 new Ordinary Shares (the “**First Capital Increase**”) and on February 17, 2021 additional 2,288,889 new Ordinary Shares (the “**Second Capital Increase**”), each for CHF 9.00, from the authorized capital, resulting in 14,467,380 Ordinary Shares issued as of the date of the Second Capital Increase.

The shares from the First Capital Increase and the Second Capital Increase were privately placed with individual, mostly institutional Israeli investors (the “**Private Placement**”), along with 800,000 options at the closing of the First Capital Increase (the “**First Closing Options**”) and 1,144,444 options at the closing of the Second Capital Increase (the “**Second Closing Options**”), each to purchase one further new ordinary share to be issued from the authorized capital at the exercise price of CHF 11.00 within 24 months as from the First Capital Increase or Second Capital Increase, respectively.

## **2.4 The Ordinary Shares**

### **2.4.1 The Ordinary Shares**

#### **General**

All issued Ordinary Shares are registered shares ranking pari passu in all respects. The Ordinary Shares do not have preemptive rights. The ownership or voting of Ordinary Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by the Articles of Association of SHL or the laws of the State of Israel. The Ordinary Shares are in book entry form only. No share certificates are issued. All issued Ordinary Shares are booked into the Clearing System of SIX SIS Ltd. Since January 1<sup>st</sup>, 2017, Computershare Schweiz AG (“**Computershare**”) is handling the share register. To exercise their voting rights, shareholders must be registered with Computershare (see Section 6.5 below). All of the issued and outstanding Ordinary Shares have been fully paid up.

#### **Liquidation and Dividend Rights**

In the event of SHL’s liquidation, after satisfaction of liabilities to creditors, SHL’s

liquidation proceeds will be distributed to the holders of Ordinary Shares in proportion to the nominal value of their respective holdings. This liquidation right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future. Under the Israeli Companies Law, dividends may be paid out of profits and other surpluses, as calculated under the Israeli Companies Law, or as accrued over a period of two years, whichever is higher, each based on the most recent financial statements of the Company (provided that the date with respect to which such financial statements were prepared does not pre-date the distribution by more than six (6) months); provided, however, that there is no reasonable concern that the payment of such dividend will prevent the Company from satisfying its existing and foreseeable obligations as they become due. Any dividends will be subject to Israeli withholding tax. SHL’s Articles of Association provide that the Board of Directors may from time to time declare and cause SHL to pay such dividend as may appear to the Board of Directors to be justified by the profits of SHL. The shareholders entitled to receive dividends are the shareholders on the date upon which it was resolved to distribute the dividends or at such later date as shall be provided in the resolution in question.

#### **Voting Rights**

Holders of Ordinary Shares have one vote for each Ordinary Share held on all matters submitted to a vote of shareholders. For additional information regarding voting rights of the Ordinary Shares, see Section 6.1 “Voting Rights Restrictions and Representations” below. See also information regarding the suspension of voting rights of the shares held by Himalaya (Cayman Island) TMT Fund, Himalaya Asset Management Ltd., Xiang Xu, Kun Shen, and Mengke Cai in the Section “Changes in the Financial Year 2021” - “Swiss Takeover Board Proceeding” above.

In case a company purchases its own shares, under the Israeli Companies Law, such shares become dormant and do not confer voting or any other rights so long as such shares are

held by the company. As of December 31, 2021, the Company held 14,834 of its own Ordinary Shares. There are no preferential voting rights attached to any of the Shares of SHL.

#### **2.4.2 Duties of Shareholders**

Under the Israeli Companies Law, each shareholder has a duty to act in good faith and customary way toward the Company and other shareholders and to refrain from abusing his or her powers in the Company, such as in shareholder votes, and from discriminating other shareholders. Furthermore, specified shareholders have a duty of fairness towards the Company. These shareholders include any controlling shareholders, any shareholder who knows that he or she possesses the power to determine the outcome of a shareholders' vote and any shareholder who, pursuant to the provisions of the articles of association, has the power to appoint an office holder or any other power with respect to the company. However, the Israeli Companies Law does not define the substance of this duty of fairness. The aforesaid duties of shareholders also apply to persons registered with the share register of the Company to the extent such persons exercise the rights attached to the Ordinary Shares.

In addition, under the Israeli Companies Law, the disclosure requirements that apply to an office holder in a public company with respect to a personal interest such office holder may have with respect to an existing or proposed transaction of the company also apply to a controlling shareholder of a public company. For such purpose, a controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns twenty-five (25) percent or more of the voting rights if no other shareholder owns more than fifty (50) percent of the voting rights, and whereby a person holding more than half of the means of control of a company (including the right to appoint a majority of the directors or the right to appoint a company's general manager) is presumed to control such company. Further, any shareholder participating in a vote on an extraordinary transaction (including a private placement which is an extraordinary transaction) with a controlling shareholder or an extraordinary

transaction with another person in which a controlling shareholder has a personal interest, or the engagement of a controlling shareholder or its relative as an office holder or employee (including the terms and conditions of the directors and office holders insurance and indemnification), must notify the Company prior to the relevant vote whether or not it has a personal interest in the relevant transaction - if no such notification is made, such shareholder is not entitled to vote and any vote of such shareholder is not counted (for approval requirements in connection with controlling shareholder transactions, please refer to Section 6.2 on "Statutory Quorums" below). The same notification requirement applies to (a) shareholders that have a personal interest in the appointment of an Independent (External) Director (for election of Independent (External) Directors, please see Section 3.1 below); (b) shareholders that have a personal interest in a full or a special purchase offer (for further information, please see Section 7.1 below), and (c) any shareholder that has a personal interest in the approval of the Compensation Policy of the Company (for further details regarding the Compensation Policy, please see Section 5.1 below). Further, an "interested party" in a private placement (i.e. a holder of more than five (5) percent of the shares of a company or one who may become such holder as a result of the private placement) must promptly disclose any personal interest that he or she may have and any material information known to him or her in connection with such private placement.

Pursuant to the Swiss Financial Market Infrastructure Act of 19 June 2015 ("FMIA"), any shareholder of the Company or group of shareholders acting in concert is required to disclose his/her/its holding if it reaches, exceeds or falls below certain thresholds, subject to limited exceptions. The relevant thresholds triggering notification are 3%, 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% of the voting rights of the Company. Persons acting in concert must disclose their shareholdings on a consolidated basis and the holdings of all such a group's members are aggregated in order to calculate compliance with relevant thresholds. The direct holder as well as any indirect holder ("beneficial owner", person being able to determine the



exercise of the voting rights, whether exercisable or not) must be reported. Additionally, any third party who is not owning the shares but has been mandated to vote the shares in its sole discretion must be disclosed. The relevant shareholdings must be notified to the Company and Disclosure Office of the Six Swiss Exchange within four (4) trading days from agreeing on the relevant transaction. The Company shall then publish the information received within two (2) trading days from receipt of the notification. With respect to disclosure duties of shareholders submitting shareholder statements to the Company, please refer to Section 63 below.

The Special General Meeting which was convened on February 21, 2019, approved an amendment to the articles of association of the Company, pursuant to which each shareholder holding 5% or more of the Company's shares or voting rights and each member of the Board of the Company is obliged to provide the Company with an address in Israel for the receiving of documents (including judicial documents) (the "Address"). As long as such Address has not been provided, the Company's registered office will be considered as such shareholder's and/or director's Address for the receiving of documents (including judicial documents).

### 2.5 Dividend-right Certificates

No dividend-right certificates were issued by SHL as of the disclosure deadline.

### 2.6 Limitations on Transferability

Fully paid Ordinary Shares may be transferred freely.

Currently, there are no statutory restrictions limiting the transferability of the Shares. The ownership or voting of Ordinary Shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by the Articles of Association of SHL or the laws of the State of Israel.

Voting rights and the purchase of new shares may be suspended under Swiss law as a sanction for breaches of disclosure obligations and the obligation to publish a tender offer for all shares (see Section "Swiss Takeover Board Proceeding" above).

### 2.7 Convertible Bonds and Options

No Convertible Bonds have been issued by SHL. Information on Options may be found in the Section 2.2 "Authorized Capital, Issued Capital and Options".

## 3. Board of Directors

The primary duties of the Board are defined in the Israeli Companies Law and in the Articles of Association of SHL. For a description of powers and duties of the Board of Directors, please refer to Section 33 of this report.

### 3.1 Members of the Board of Directors

The Articles of Association provide for a Board consisting of up to nine (9) members and not less than three (3) members until otherwise determined by simple resolution of the shareholders of SHL. As of December 31, 2021 and the date hereof the Board consists of seven (7) members, of whom two (2) members are Independent (external) Directors (Mr. Abramovich and Ms. Kimhi) (for further information on Independent Directors, please refer to the following Section of this report).

#### Independent (External) Directors

Israeli companies that have offered securities to the public in or outside of Israel are required to appoint two (2) Independent (external) Directors under the provisions of the Israeli Companies Law. Each committee of a company's board of directors authorized to exercise the powers of the board of directors is required to include at least one (1) Independent Director, and pursuant to the Israeli Companies Law, the board of directors of a public company is required to appoint an audit committee and a compensation committee which must be comprised of at least three (3) directors, including all of the Independent (external) Directors. For the tasks of the audit committee and the compensation committee, respectively, and further requirements regarding the composition of the audit committee and the compensation committee, please refer to Section 33 below. As a general rule, Independent (external) Directors shall be Israeli residents, however, in a company whose shares are traded abroad (such as SHL), Independent (external)

Directors may also be foreign residents. In the year under review, there were no Independent Directors who are foreign residents.

Pursuant to the Israeli Companies Law, to qualify for an appointment as an Independent (external) Director, the relevant candidate must possess either financial and accounting expertise or professional skills (as such terms are defined in rules promulgated under said law), provided that at least one (1) of the Independent Directors appointed possesses financial and accounting expertise. Further, all of the following persons are prevented from serving as Independent Directors: (a) any individual that is a relative of a controlling shareholder (as such terms are defined under the Israeli Companies Law); (b) any individual who has (or any of whose relatives, partners, employer, entities controlled by him, or someone that such individual is directly or indirectly subordinated to has) at the time of appointment or at any time during the two (2) years prior to such individual's appointment as an Independent Director, any "connection" (including, in general, employment, business and/or professional relationships, control and/or service as an office holder) with (i) the Company, (ii) its controlling shareholder(s) at the time of appointment, (iii) a relative of a controlling shareholder at the time of appointment, (iv) any entity whose controlling shareholder(s), at the time of appointment or during the two (2) years prior to the relevant Independent Director appointment is the Company or its controlling shareholder, or (v) the Chairman of the board, the general manager, a holder of 5% or more of the issued and outstanding share capital or voting rights in the company or the most senior financial executive in the company, at the time of appointment, and only if there is no controlling shareholder in the relevant company or a holder of at least twenty five percent (25%) of the voting rights in the company; (c) any individual whose position or other activities create or may create a conflict of interest with his or her role as an Independent Director or may adversely affect such role, or which may compromise such individual's ability to serve as an Independent Director; (d) an employee

of the Israeli securities authority or an Israeli stock exchange; (e) a director of another company, if a director of such other company serves as an Independent Director in the first company; (f) without derogating from the restrictions set forth under (b) above, any individual who has (or whose relative, partner, employer or person to whom he/she is directly or indirectly subordinated to, or a company in which he/she is a controlling shareholder has) business or professional relationships with any person with respect to which an affiliation is prohibited under (b) above, even if such relationship is not an ongoing, constant relationship, and excluding relationships that are negligible; or (g) any person which in his/her service as an Independent Director received any compensation for his/her service beyond that authorized in accordance with applicable regulations promulgated under the Israeli Companies Law.

In addition, for a period of two (2) years following termination of the service of an Independent Director, the company in which such Independent Director served, as well as its controlling shareholder and/or any entity under such controlling shareholder's control may not directly or indirectly provide any benefit to such Independent Director (as well as his/her spouse and children), including, without limitation, appointment as an officer holder, engagement as an employee or provider of professional services against consideration, whether directly or indirectly and whether individually or through an entity controlled by such Independent Director, all with respect to the company and any entity under control of the controlling shareholder of the company. The foregoing limitations also apply to relatives (as defined under the Israeli Companies Law) of the Independent Director who are not his/her spouse or child, but then for a period of one (1) year from termination of service.

The Independent Directors generally must be elected by a majority vote of the shareholders, provided that (a) such majority includes a majority of shares held by shareholders who are not a controlling shareholder or who do not have a personal interest in the appointment (except a personal interest which is not the

result of a relationship with the controlling shareholder) and who are voting thereon, whereby abstaining votes will not be taken into account, or (b) the percentage of the voting rights held by shareholders as described under (a) and which object to the appointment is not more than two (2) percent of the voting rights of the company (the Minister of Justice may determine a different percentage; no such determination has been made to date).

The term of an Independent Director is three (3) years and may be extended by two (2) additional terms of three (3) years each. Independent Directors may be re-elected to any of the two (2) additional terms beyond their initial three (3) year term as aforesaid only subject to fulfillment of either of the following conditions: (a) one or more shareholders holding one percent (1%) or more of the voting rights of the company proposed such additional service period, and the appointment is approved by the general meeting with a majority of votes subject to the following: (i) the votes of controlling shareholders or anyone who has a personal interest in the appointment (excluding a personal interest which is not the result of a relationship with the controlling shareholder) and abstaining votes are not counted; (ii) the number of votes supporting the appointment (from among those shareholders which are not controlling shareholders or have a personal interest as aforesaid) amounts to more than two percent (2%) of the overall voting rights in the company (the Minister of Justice may determine a different percentage; no such determination has been made to date); and (iii) such Independent (external) Director may not be (A) at the time of appointment a Related or Competing Shareholder (as defined hereafter) or a relative thereof; or (B) a person with "connections" (as defined above) to a Related or Competing Shareholder at the time of appointment and the two (2) years prior thereto. "Related or Competing Shareholder" is defined under the Israeli Companies Law as (x) the shareholder proposing such appointment; or (y) a holder of shares or voting rights in the company of at least five percent (5%); and with respect to either of the foregoing, to the extent that at the time of appointment of

the Independent Director such shareholder, a controlling shareholder thereof or a company under the control of the foregoing has business connections with the company, or that it, a controlling shareholder thereof or a company under the control of the foregoing is a competitor of the company; or

(b) the Board proposed the additional service term of such Independent Director and such appointment is approved in the same way as the appointment for the initial term is approved (see above); or

(c) the Independent (external) Director himself/herself proposed his/her re-election, and the appointment is approved in accordance with the conditions described under (a) above.

#### **Independent ("Non-Dependent") Directors**

Pursuant to the Israeli Companies Law, a public company may also designate certain directors as independent (non-dependent) directors. Pursuant to the relevant provisions of the law, independent (non-dependent) directors are either (i) Independent (external) Directors as set forth above, or (ii) such persons who fulfill all of the requirements applicable to Independent (external) Directors, as confirmed by the Audit Committee, except special financial or professional qualifications, and who have not served as a director of the Company for more than nine (9) continuous years (whereby any interruption of less than two (2) years does not suffice to constitute a disruption of such continuance). Unlike Independent (external) Directors, independent (non-dependent) directors are not elected for three (3) year terms, but may be re-elected each year. No special majority requirements apply with respect to their election.

As set forth below, a majority of the members of the Company's Audit Committee are required to be independent (non-dependent) directors (i.e. including the Independent (external) Directors).

The Company has currently no directors (other than the Independent (external) Directors as such) that have been designated by the Audit Committee as independent (non-dependent) directors.



### Executive and Non-Executive Members of the Board

There is currently one (1) executive director on the Board of the Company (defined as a Board member who acts as a member of the Executive Management) - Mr. Erez Nachtomy, who also serves as the Company's CEO.

None of the non-executive members of the Board in the year under review was a member of the management of SHL or of any of SHL's group companies in the three (3) financial years preceding the period under review. The non-executive members of the Board have no significant business connections with SHL or SHL's group companies. For a description of the family relationship between members Mr. Yariv Alroy, Mr. Erez Alroy and Mr. Elon Shalev (Mr. Shalev served as a member of the Board of the Company until his resignation on May 30, 2021), see "Significant Shareholders" in Section 1.2 above and "Share Ownership" in Section 5.3. It should be noted that although Mr. Yariv Alroy serves as an Active Chairman of the Board (as defined in below in Section 3.3), he is not a member of SHL's management and does not fulfill any executive function (for further information, please refer to Sections 3.3 and 5.1 below).

### Board Members as of December 31, 2021

The following table sets forth the name, principal position, time of the first election, and the remaining term of office of each member of the Board of Directors as of December 31, 2021.

Name	Nationality	Position	First Election	Remaining Term*
Yariv Alroy	Israeli	Active Chairman of the Board /Non-executive member	2018**	2022
Yehoshua Abramovich	Israeli	Non-executive member/Independent (external) Director	2017	2023
Erez Alroy	Israeli	Non-executive member	2018***	2022
Prof. Amir Lerman	Israeli and US	Non-executive member	2016	2022
Dvora Kimhi	Israeli	Non-executive member/Independent (external) Director	2018	2024
David Salton	Israeli	Non-executive member	2021****	2022
Erez Nachtomy	Israeli	Executive member	2018	2022

\* With respect to members of the Board who are not Independent (external) Directors, where the remaining term is indicated as 2022, this means until the 2022 AGM. Mr. Abramovich's second term in office ends on June 27, 2023. Ms. Kimhi's second term in office ends on December 9, 2024. For additional information regarding the election and term of office of SHL's directors please refer to Section 3.2 "Election of Directors and Term of Office".

\*\* Yariv Alroy served as a director also between the years 2001 and 2006, and between 2010 and 2014.

\*\*\* Erez Alroy served as a director also between the years 2008 and 2014 and between 2016 and 2017.

\*\*\*\* David Salton has been appointed as a director following Elon Shalev's resignation from the Board in the end of May 2021.

Below are the resumes of the current members of the Board.



**Yariv Alroy – Active Chairman of the Board**

Mr. Yariv Alroy joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Yariv Alroy served as the Company's Co-CEO from 2000 to January 15, 2016. He previously served as managing director of SHL Telemedicine International Ltd from 1997 to 2000 and Chief Operating Officer of the Company from 1993 to 1997. He also previously served as a Member of the Board of the Company between 2001 and 2006, and between 2010 and 2014. Before joining the Company, Mr. Yariv Alroy worked for a leading Israeli law firm from 1989 to 1993, with his last position being senior partner. Since 2016 he has been an investor and a businessman and serves as a Board Member of Duke Robotics Inc., a private reporting US corporation. He holds an LL.B. from Tel Aviv University, Israel. Mr. Yariv Alroy is part of the Alroy Group (see "Significant Shareholders"). Nationality: Israeli.



**Erez Alroy**

Mr. Erez Alroy joined the Board of Directors of SHL as a non-executive Director in December 2018. Mr. Erez Alroy served in various executive positions in SHL since its inception, and as its Co-CEO from 2000 to January 2015 and as a director from 2008 to 2014 and from 2016 to 2017. He is currently active in various investments and is a board member in Merhavia Holdings Ltd (TASE:MRHL). Mr. Erez Alroy holds an MBA from the Hebrew University in Jerusalem. Mr. Erez Alroy is part of the Alroy Group. Nationality: Israeli.



**Yehoshua Abramovich**

Mr. Abramovich joined the Board of Directors of SHL as a non-executive Director/Independent (external) Director in June 2017. Mr. Abramovich has held key positions in the

Israeli capital market for over 25 years. He serves as the chairman of the board of Somoto limited, chairman of Atrade, Chairman of GalileoTech, Chairman of Imed, member of the board of directors and chairman of the investment committee of I.D.I Insurance company and as a director in few other high- tech, real estate and energy companies. Mr. Abramovich was the CEO of Clal Finance during several years, one of Israel's largest financial institutions who provided a broad array of financial services ranging from portfolio management to brokerage and underwriting services. Clal Finance owned and managed mutual funds, an in-house hedge fund, and offered individually tailored structured products to clients. Prior to that, he served in various positions in Clal group, including Deputy CEO of Clal Insurance Enterprises Holdings. He served on the board of directors of the Tel- Aviv Stock Exchange until September 2008, and he is a member of the board of trustees of the Academic Track of the College of Management (COM). He has a B.A. in Economics & business management and an MBA from Tel Aviv University. Nationality: Israeli.



**Dvora Kimhi**

Ms. Dvora Kimhi joined the Board of Directors of SHL as a non-executive Director/Independent (external) Director in December 2018. She also served as a non-executive Independent (external) Director in the Company from 2010 to 2014 and as a non-executive director from 2001 to 2007. Since 2002 and as of the date hereof, Ms. Kimhi serves as Vice President for regulatory and legal affairs with Channel 10, which merged with Channel 13 in January 2019. Prior to this Ms. Kimhi served as Chief Legal Advisor to Ananey Communications Ltd., Noga Communications and the Israeli Educational Television. Ms. Kimhi served as Independent director on the board of directors of Ananey communications since 2007 until 2012. Ms. Kimhi also serves on the board of directors of Kol Hayyam Hadrom Ltd., an Israel radio station. Ms. Kimhi is a member of the Israeli Bar, holds an LL.B. from Tel Aviv University and has specialized in contract law and communication regulation. Nationality: Israeli.



**Prof. Amir Lerman**

Prof. Lerman joined the Board of Directors of SHL as a non-executive Director in 2016. Prof. Lerman is the Vice-Chair, Cardiovascular Department and the Director of the Cardiovascular Research Center at the Mayo Clinic in Rochester (USA) since 2010. He is also the Program Director for vascular and valve, Center for Regenerative Medicine at the Mayo Clinic, since 2012. In addition, Prof. Lerman serves as the Director of the Mayo- Israeli startup company initiative as well as a faculty member at the Mirage Institute: US-Israel innovation bridge business leadership program, since 2009, in addition to various other positions held at the Mayo Clinic. Prof. Lerman also holds an appointment as Professor of Medicine at the Mayo Medical School since 2001. Prof. Lerman graduated from the Technion school of Medicine in Haifa Israel in 1985 and completed his training in internal medicine, cardiovascular diseases and invasive cardiology at the Mayo Clinic in 1994. Prof. Lerman published more than 500 manuscripts, book chapters and reviews; the NIH, AHA, and several foundations support his research. Nationality: American/Israeli.



**Erez Nachtomy**

Mr. Erez Nachtomy joined the Board of Directors of SHL as a non-executive Director in December 2018 and became an executive director following his nomination as the Company's CEO, since May 2020. From 1989 until 2001, Mr. Nachtomy practiced law at a leading Israeli law firm - Weksler, Bregman & Co., becoming a partner in the firm in 1994 and later on promoted to a senior partner. In March 2001, he joined the executive team of SHL, as Vice President, and from January 2005 to December 2016 he served as Executive Vice President of the Company. Since 2017 he is an investor and a businessman specializing in strategic planning, M&A transactions, and capital raising and business development. He serves as a Board Member and officer of UAS Drone Corp., a reporting US corporation. Mr. Nachtomy

hold an LL.B. from Tel Aviv University, Israel, and he is a member of the Israeli Bar. Nationality: Israeli.



**David Salton**

Mr. David Salton joined the Board of Directors of SHL as a non-executive Director in May 2021. From October 2020, Mr. Salton holds the position of Chief Executive Officer of Virility Medical, a startup company developing consumer medical devices. Prior to that, for 10 years he served as the CEO of Dentack Implants, a medical device company in the dental field. Mr. Salton also served as CEO of DCL Technologies Ltd., an investment company, and Deputy General Manager of Leumi Partners, a leading Israeli Investment Bank. Mr. Salton also served as CEO of several private biotech and healthcare companies, and as board member of several publicly traded companies. He currently serves as an independent director of InterCure Ltd. (TASE, TSX: INCR) and ARAN Ltd. (TASE: ARAN). David Salton holds a B.Sc., Economics & Management degree from Technion - Israel Institute of Technology, Faculty of Industrial Engineering & Management. Nationality: Israel.

The following member of the Board of Directors of SHL has served as a non-executive Director for part of the year under review, and is no longer a member of the Board of Directors of SHL as of December 31, 2021:



**Elon Shalev**

Mr. Elon Shalev joined the Board of Directors of SHL as a non-executive Director in December 2018 and served in this capacity until May 2021. Mr. Elon Shalev is co-founder of SHL, and has served as a director of SHL since its inception in 1987 until April 2018 and was its Chief Operating Officer from 1990 to 1993. Mr. Shalev served as the Vice Chairman of the board of directors of Partner Communications Company (NASDAQ, TASE: PTNR), a leading Israeli provider of telecommunications services from 2013 to 2019. Mr. Shalev was the founder of

Channel 2 news in Israel and from 1993 to 1995 served as its CEO. From 1996 to 1999, he was Editor in Chief of “Yediot Aharonot”, the largest daily newspaper in Israel and from 2000-2001 he was an Executive Vice President of Discount Investment Corporation Ltd. Of the IDB group. Mr. Shalev has been serving as a senior advisor to the Saban Capital Group since 2004. He was a director in several large and well known Israeli firms. Mr. Shalev holds a B.A. degree in Political Science from the University of Tel-Aviv, Israel. Nationality: Israeli.

### **3.2 Election of Directors and Term of Office**

Pursuant to the Articles of Association of SHL, all members of the Board, except the two (2) Independent (external) Directors (who are to be elected as described above, pursuant to the provisions of the Israeli Companies Law), are elected individually at the Annual General Meeting of the shareholders by a vote of the holders of a majority of the voting power represented at such meeting to serve until the next Annual General Meeting. All directors of SHL, except for the Independent (external) Directors - who may only serve three (3) three-year terms (please refer to the description above) - may be re-elected with no limit.

Pursuant to the provisions of the Israeli Companies Law, each candidate for directorship in a public company is required to execute a written declaration pursuant to which such person has the requisite qualifications and is able to dedicate the required time to its service as a director, and further that none of the reasons stipulated under the Israeli Companies Law preventing such director from being eligible for service as a director (such as a court conviction of an offense of corruption, fraud or use of inside information so long as five (5) years have not yet lapsed from the date of the relevant verdict) apply. With respect to Independent (external) Directors, the proposed candidates have to further submit a declaration that they fulfill the special professional qualification requirements stipulated under the Israeli Companies Law applicable to Independent Directors (see Section 3.1 above). The foregoing declarations have to be submitted prior to the call for a shareholders'

meeting at which the relevant candidate is proposed to be elected as a director.

In addition to the foregoing, a person who is a candidate to be a director of a company is required to disclose to the company, amongst others, whether the enforcement committee instituted under the Israeli Securities Law has imposed certain enforcement measures on such person preventing him/her from serving as a director in a public company, so long as the applicable period of restriction imposed has not yet lapsed. If sanctions were imposed which prohibit service as a director in a public company, then (a) the relevant candidate will not be appointed as a director; and (b) the service of any person already serving as a director will immediately terminate with submission of notice by the relevant director regarding such enforcement measures.

Under the Israeli Companies Law, the following persons may not be appointed as Chairman of the Board of a public company: (a) neither the Chief Executive Officer himself/herself nor any of his/her relatives (as such term is defined under the Israeli Companies Law and which does not include uncles, aunts or cousins) may at the same time serve as Chairman of the Board, unless the shareholders consent to such service, which, in any event, may not exceed three (3) year periods from the date of each such approval. Approval shall be obtained by the Audit Committee, the Board and the shareholders. Approval by the shareholders requires that either (i) the a majority vote in favor of the resolution shall include the consent of at least a majority of the shareholders voting power represented at the meeting in person or by proxy and voting thereon who have no personal interest in approving the resolution and who are not controlling shareholders of the Company (whereby abstaining votes will not be counted), or (ii) the total shares of the shareholders who are not controlling shareholder and have no personal interest in approving the resolution voted against the resolution do not represent more than two (2) percent of the voting rights in the Company; or (b) a person directly or indirectly subordinated to the CEO. In addition, in a public company, the Chairman of the Board or his/her relatives



may not be authorized to exercise the powers of (a) the CEO, unless under the special approval requirements set forth above and each time only for a period of up to three (3) years; or (b) a person directly or indirectly subordinated to the CEO, and the Chairman is also prevented from serving in any other position in the company or an entity in its control (except service as a director or Chairman of a company under its control.) Shareholders participating in the special approvals as described above must disclose prior to the vote whether or not they have a personal interest - if no such disclosure is made, the votes of such shareholders will not be counted.

### 3.3 Internal Organizational Structure

Pursuant to the Israeli Companies Law and SHL's Articles of Association, the Board is ultimately responsible for the general policies and management of SHL. The Board establishes the strategic, organizational, accounting and financing policies of SHL. Specifically, the Board of SHL reviews, discusses and approves the half-year financial statements of the Company, and is updated on a regular basis regarding the development of SHL's business. Mr. Yariv Alroy, as an active chairman of the Board (the "**Active Chairman**"), in addition to his role as chairman of the Board of SHL, takes on increased duties on behalf of the Company, which include, inter alia, being in constant and direct contact with the Company's management in order to facilitate the communication between management and the Board and monitor the performance and implementation of the Company's policies and resolutions of the Board, all to ensure that the Company's course of business is aligned therewith. The Board meets at least once each quarter. Topics addressed in the meetings include the strategy, business reviews and major projects, investments and transactions. Each of the Board committees conducts its meetings according to the needs of the relevant Board Committee. The Chief Executive Officer and the Chief Financial Officer of the Company are invited to Board meetings and attend such as the Board deems necessary. It should be noted that Mr. Nachtomy, the CEO of the Company as of the date hereof, is invited to all Board meetings, being a member of the Board. Pursuant to the Israeli Companies Law, persons

that may not be elected as members of the audit committee and the compensation committee of a company (for further information regarding persons not qualified to be audit committee or compensation committee members, please see the relevant sub-sections of this Section below), respectively, may not be present at meetings of these committees unless the chairman of the committee determined that his/her presence is required in order to present a certain topic; provided that (a) an employee of the company (who is not a controlling shareholder or its relative) may be present at the discussion in such meeting (but not at the time any resolution is taken) if such presence was requested by the committee; and (b) the company's legal counsel and the company corporate secretary (who are not controlling shareholders or their relatives) may be present both at discussions and resolutions of the audit or compensation committees if so requested by such committee.

The Board has all powers vested in it according to the Israeli Companies Law and the Articles of Association, is authorized to determine the policy of SHL and to supervise the performance and actions of the CEO of the Company, and, without derogating from the above, has the following powers:

- determine SHL's plans of action, the principles for financing them and the order of priority among them;
- examine the financial status of SHL, and set the frame of credit that SHL shall be entitled to acquire;
- determine the organizational structure of SHL and its compensation policies;
- resolve to issue series of debentures;
- prepare and approve the financial statements of SHL;
- report to the Annual General Meeting of the status of SHL's affairs and of their financial outcomes;
- appoint the CEO and terminate such appointment, in accordance with the Israeli Companies Law;
- resolve in the matters on actions and transactions that require its approval according to the Israeli Companies Law and the Articles of Association;

- issue shares and convertible securities up to the total amount of the authorized share capital of SHL, in accordance with the Israeli Companies Law;
- decide on a “distribution” as set forth in Sections 307 - 308 of the Israeli Companies Law (including without limitations, dividends and share repurchases);
- express its opinion on a special tender offer, as set forth in Section 329 of the Israeli Companies Law.

Pursuant to the Articles of Association of SHL a quorum at a meeting of the Board shall be constituted by the presence in person or by any other means of communication by which the Directors may hear each other simultaneously, of a majority of the Directors then in office who are lawfully entitled to participate in the meeting. Any director may call a meeting of the Board of Directors upon a seven (7) day notice, unless such notice has been waived by all the directors. The notice of a meeting shall include the agenda of the meeting. Pursuant to the Articles of Association of SHL the Board may meet and adjourn its meetings according to SHL's needs but at least once in every three months, and otherwise regulate such meetings and proceedings as the directors think fit. Meetings of the Board may also be held telephonically or by any other means of communication, provided that each director participating in such meeting can hear and be heard by all other directors participating in such meeting. A meeting of the Board at which a quorum is present shall be competent to exercise all the authorities, powers and discretion vested in or exercisable by the Board. A resolution proposed at any meeting of the Board shall be deemed adopted if approved by a simple majority of the directors then in office who are lawfully entitled to participate in the meeting and vote thereon, and present when such resolution is put to a vote and voting thereon. The Board may also adopt resolutions by unanimous written consents.

The Articles of Association of SHL provide that any director may, by written notice to SHL, appoint another person to serve as an alternate director and may cancel such appointment. Any

person that meets the qualifications of a director under the Israeli Companies Law may act as an alternate director. One person may not act as an alternate director for more than one director, and in a public company a person serving as a director of the company or as an alternate director may not act as an alternate director. However, a director can serve as an alternate director to a member of a committee of the board of directors, provided that the alternate director is not a member of the committee in question; and provided further that in the event the alternate director is to serve as an alternate to an Independent (external) Director, such alternate director shall have financial and accounting expertise or professional skills, dependent on the expertise and skills of the Independent (external) Director such alternate director is supposed to replace. An alternate director to an Independent (external) Director may not be otherwise appointed.

Under the Israeli Companies Law a company is entitled to have several General Managers to be appointed by the Board who shall be responsible for the day-to-day operation of the company within the limits of the policy determined by the Board and subject to its direction. In a public company, office holders who are not directors are appointed by the General Manager/CEO who may determine the powers and duties of such office holders.

During the year under review, the Board held twenty six (26) meetings (seventeen (17) of which via video conference and nine (9) by written resolutions). The length of such meetings depends on the agenda and the duration is approximately 1 to 1.5 hours.

The CFO and the Company's external auditors attended 12 and 4 of the meetings above, respectively.

#### **Committees of the Board and Internal Auditor**

The Articles of Association of SHL provide that the Board may delegate any or all of its powers to committees of the Board as it deems appropriate, subject to the provisions of the Israeli Companies Law. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board. The meetings

and proceedings of any such committee are, mutatis mutandis, governed by the provisions contained in the Articles of Association for regulating the meetings of the Board, so far as not superseded by any regulations adopted by the Board of Directors. Any such committee authorized to execute the powers of the Board shall include at least one (1) Independent (external) Director. A committee authorized to execute the powers of the Board may only be comprised of members of the Board. A committee whose powers are limited to providing recommendations to the Board may be comprised of non-members.

Pursuant to the Israeli Companies Law, a board of directors may not delegate the following matters to a committee: determination of a general policy; distribution (except for re-purchase of company shares pursuant to a framework approved by the board); determination of the board of directors' stand on matters that require shareholder approval or on its opinion with regard to a special purchase offer; appointment of directors; issuance of securities (except for issuance to employees pursuant to an option plan approved by the board); approval of financial statements; approval of interested party transactions.

As mentioned above, although not mandatory, under the provisions of the Israeli Companies Law for a company which is not subject to reporting obligations under the Israeli Securities Law, the Board of Directors has voluntarily appointed a Committee for the Examination of the Financial Statements as of March 18, 2015. On February 21, 2019 the Board has voluntarily appointed a new committee - an Investment Committee. On February 10, 2020, the Board has voluntarily appointed a Cyber Committee and on May 17, 2020 the Board has voluntarily appointed an Executive Committee.

For further details regarding the composition of said committees in the year under review and as of the date hereof, please see below.

The committees of the Board of Directors meet as necessary and are required to take minutes, make full reports and recommendations to the Board of Directors, which recommendations are provided to the Board of Directors following each applicable session of the committees.

Pursuant to the Israeli Companies Law, the Board of Directors also appointed an internal auditor proposed by the Audit Committee.

**Audit Committee** - Pursuant to the Israeli Companies Law the Audit Committee must be comprised of at least three (3) directors, including all of the Independent (external) Directors, and a majority of its members must be Independent (Non-Dependent) Directors (i.e. including the Independent (external) Directors). The following persons may not be members of the Audit Committee: (a) the Chairman of the Board; (b) any director employed by the Company; (c) any director employed by a controlling shareholder of the Company or an entity under the control of such controlling shareholder; (d) any director who provides services, on a regular basis, to the Company, a controlling shareholder or an entity under the control of a controlling shareholder; (e) a director whose main livelihood is based on a controlling shareholder; and (f) a controlling shareholder or any of its relatives. Subject to limited exceptions, any person who could not be a member of the Audit Committee may not be present at its meetings. The Chairman of the Audit Committee shall be an Independent (external) Director not serving for more than nine (9) years. The legal quorum for any meeting of the Audit Committee shall be a majority of its members, provided that the majority of those present shall be Independent (non-dependent) Directors (see description above), and further provided that at least one (1) Independent (external) Director shall be present. The role of the Audit Committee includes, amongst others, the following: (a) to examine flaws in the business management of the Company, in consultation with the Internal Auditor and the external auditors, and to propose remedial measures to the Board; (b) to determine whether an interested party transaction is an ordinary or extraordinary transaction (where extraordinary transactions are subject to special approval requirements); (c) to approve interested party transactions, where so required under the Israeli Companies Law; and (d) to examine the existing internal control measures of the Company and the



functioning of the Internal Auditor (see below). The Audit Committee is also charged with (e) prescribing with respect to transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest (even if they are determined by the Audit Committee not to be extraordinary transactions), as well as with respect to the engagement terms of controlling shareholders and their relatives, the obligation to conduct either (i) a competitive process under the supervision of either the Audit Committee or who else the Audit Committee may determine in respect thereof pursuant to the criteria set by it; or (ii) other processes as determined by the Audit Committee, prior to the relevant transaction, and all in accordance with the type of transaction in question, and the Audit Committee may set the relevant criteria therefore once a year in advance; and (f) to determine the manner of approval of transactions with controlling shareholders or another person in which a controlling shareholder has a personal interest and to determine kinds of such transactions which require the approval of the Audit Committee, all with respect to such transactions which pursuant to the determination of the Audit Committee are not extraordinary transactions but also not negligible - the Audit Committee may so determine with respect to types of transactions according to criteria it may set one a year in advance. The Audit Committee also determines (g) whether a director or candidate for director fulfills the requirements for being classified as an independent (non-dependent) director. Neither the Israeli Companies Law nor the Company's Articles of Association prescribe a certain frequency at which meetings of the Audit Committee are to take place. Accordingly, the Audit Committee meets from time to time when deemed necessary.

Pursuant to the Israeli Companies Law, the Internal Auditor (see below) may request the chairperson of the Audit Committee to convene a meeting and the chairperson shall then convene such meeting if it deems it fit. In addition, should the Audit Committee find that there is a material flaw in the business management of the Company, it shall hold at

least one meeting with respect to such material flaw in the presence of the Internal or external auditor, as the case may be, without any office holders that are not members of the committee present; provided that an office holder may be present for the purpose of presenting an opinion with respect to a matter which is in his/her field of responsibility. The duration of the meetings varies in accordance with the topics discussed.

During the year under review the Audit Committee held four (4) meetings (all of which via video conference), the duration of which was approximately 1 to 1.5 hours. The CEO, CFO and the Company's external auditors attended 3, 3 and 1 of the meetings above, respectively.

In the year under review, the Audit Committee was composed of the following members: Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law).

**Compensation Committee** - Pursuant to the Israeli Companies Law, an Israeli public company is obligated to appoint a Compensation Committee, which shall be comprised of at least three (3) members and of which all Independent (external) Directors shall be members and constitute a majority. The remaining members of the Compensation Committee shall be such whose engagement terms correspond to the rules of compensation set forth under applicable regulations under the Companies Law with respect to Independent (external) Directors. Persons who may not be members of the Audit Committee (see description above) may also not be members of the Compensation Committee. The Chairman of the Compensation Committee shall be an Independent (external) Director not serving for more than nine (9) years. The Audit Committee and the Compensation Committee may have identical members and an Audit Committee fulfilling the above requirements may at the same time also serve as the Compensation Committee. The role and authority of the Compensation Committee shall include (a) the issuance of a recommendation to the Board of Directors regarding the Compensation Policy, (b) issuance of a recommendation to the Board of

Directors once every three (3) years regarding the extension of the Compensation Policy; (c) recommendation to the Board of Directors from time to time regarding any amendments to the Compensation Policy, as well as examination regarding its implementation; (d) approval of transactions with office holders (including controlling shareholders) regarding the terms of their engagement with the Company as required under the Israeli Companies Law; and (e) exemption of certain transactions from the shareholder approval requirement which may otherwise apply pursuant to the Israeli Companies Law. Neither the Israeli Companies Law nor the Company's Articles of Association prescribe a certain frequency at which meetings of the Compensation Committee are to take place. Accordingly, the Compensation Committee meets from time to time when deemed necessary. During the year under review the Compensation Committee held six (6) meetings (all of which via video conference). The duration of the meetings varies in accordance with the topics discussed. In the year under review the average meeting duration was approximately 1 hour. The CEO and CFO attended 5 and 1 and of the meetings above, respectively.

In the year under review, the Compensation Committee was composed of the following members: Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law).

**Committee for the Examination of the Financial Statements ("FS Committee")** - Pursuant to the Israeli Companies Law, only companies which are "reporting companies" (for such purpose only companies subject to reporting obligations to the Israeli Securities Authority) must establish a FS Committee. However, the Board has voluntarily appointed a FS Committee as of March 18, 2015. Pursuant to regulations promulgated under the Israeli Companies Law, the FS Committee shall be comprised of at least three (3) members and those persons which may not serve on the Audit Committee are also prevented from serving on the FS Committee. The majority of its members must

be independent (non-dependent) directors (i.e. including independent (external) directors). The committee's chairperson shall be an Independent (external) Director. All members must be able to read and understand financial reports and at least one of the Independent (non-dependent) Directors must be a director with financial and accounting expertise (as such term is defined under applicable regulations promulgated under the Israeli Companies Law). The Audit Committee may at the same time serve as the FS Committee if all of the legal requirements with respect to the committee members are met.

The task of the FS Committee is to examine the financial statements of the Company prior to their approval by the Board. In particular, the financial statements shall only be brought to the Board for approval, if all of the following requirements have been complied with: (A) The FS Committee shall have discussed and submitted its recommendations to the Board on all of the following items: (a) evaluations and estimations that were made in connection with the financial statements; (b) internal controls over financial reporting; (c) completeness and fairness of disclosures made under the financial statements; (d) the financial guidelines adopted and financial treatment implemented with respect to material matters of the Company; and (e) valuations, including assumptions and estimations on which they are based, on which the financial statements rely; (B) the external auditor shall be invited to all meetings of the FS Committee, and the Internal Auditor of the Company shall receive notices of its meetings and may participate therein; (C) the FS Committee shall have submitted its recommendation regarding the approval of the financial statements a reasonable time prior to the discussion thereof by the Board and shall have reported to the Board regarding all defects or problems which it may have discovered during its examination of the financial statements; and (D) the Board shall discuss the recommendations of the FS Committee.

During the year under review the FS Committee held six (6) meetings (all of which via video conference). In the year under

review the average meeting duration was approximately 1 hour. The CEO, CFO and the Company's external auditors attended 6, 6 and 5 of the meetings above, respectively.

The members of the FS Committee in the year under review and as of the date hereof, are Mr. Yehoshua Abramovich (chairman), Ms. Dvora Kimhi and Prof. Amir Lerman (this composition is in compliance with the requirements of the Israeli Companies Law) (for details of changes please refer to Section 3.1 "Board of Directors" above).

**Investment Committee** - Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed an investment committee as of February 21, 2019 (the "**Investment Committee**"). The task of the Investment Committee is to determine the investment policy of the Company's cash proceeds that are not required for its ongoing operations as will be from time to time. The members of the Investment Committee as of the date hereof, are Mr. Yehoshua Abramovich (chairman), Mr. Erez Alroy and Mr. Erez Nachtomy. Frequency and average duration of sessions are not provided given the sensitive role of such committee.

**M&A Committee** - Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed a mergers and acquisitions committee as of June 16, 2019 (the "**M&A Committee**"). The task of the M&A Committee is to facilitate the execution, performance and delivery of prospective M&A transactions. The members of the M&A Committee as of the date hereof, are Mr. Yariv Alroy (chairman), Mr. Yehoshua Abramovich, Mr. Erez Alroy and Mr. Erez Nachtomy. The M&A Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the general strategic role of such committee.

**Cyber Committee** - Although not mandatory under the provisions of the Israeli Companies Law, the Board of Directors has voluntarily appointed a cyber committee as of February 10, 2020 (the "**Cyber Committee**"). The task of the

Cyber Committee is to recommend to the Board as to actions and/or measures to be taken in connection with the Company's information technology, including, inter alia, for the purpose of developing, maintaining and promoting the security of the Company's systems, networks and data, as well as supervising and monitoring the implementations of all such actions and/or measures. The members of the Cyber Committee as of the date hereof, are Mr. Yariv Alroy (chairman), Mr. Yehoshua Abramovich and Mr. Erez Nachtomy.

The Cyber Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the sensitive role of such committee.

**Executive Committee** - Although not mandatory under the provisions of the Israeli Companies Law, the Board has voluntarily appointed an advisory executive committee as of May 17, 2020 ("**Executive Committee**"). The task of the Executive Committee is to assist and accompany the CEO and the Company in operating its ongoing business. The members of the Executive Committee as of the date hereof are Mr. Yariv Alroy and Mr. Yehoshua Abramovich. The Executive Committee meets from time to time when deemed necessary. Frequency and average duration of sessions are not provided given the general strategic role of such committee.

**Internal Auditor** - Pursuant to the Israeli Companies Law, the Board of a public company shall appoint an internal auditor. Such appointment is made upon recommendation of the Audit Committee. Neither an interested party nor an officer of the company, any relatives of the foregoing or the external auditor or anyone on its behalf may serve in such position. The role of the Internal Auditor is to examine, among other things, whether SHL's activities comply with the law and orderly business procedure. Pursuant to the Israeli Internal Audit Law - 1992, together with the Israeli Companies Law, the Internal Auditor is authorized to demand and receive any kind of document and/or information that is in the Company's or its employees' possession, which

he deems necessary for the performance of his role, and he is to have access to all databases or data processing programs of the Company. Pursuant to the Israeli Companies Law, the Chairman of the Board or the Chairman of the Audit Committee may order the Internal Auditor to conduct an internal audit on matters where an urgent need for examination arose. In addition, the Internal Auditor shall receive notices of the meetings of the Audit Committee and may participate in such meetings. The Internal Auditor has no decision making powers. Pursuant to the Israeli Companies Law and the Company's Articles of Association, the internal auditor has to submit a work program to the Company's Audit Committee for approval.

Mr. Michael Gilinsky was appointed as SHL's Internal Auditor in March 2021. During the year under review, the Internal Auditor participated in one (1) meeting of the Audit Committee of the Company, in the framework of which the Internal Auditor presented the internal audit plan for 2021.

### 3.4 Definition of Areas of Responsibility of Management; Information and Control Instruments Vis-À-Vis Senior Management

The senior management of SHL ("**Senior Management**") implements the general policies and strategic decisions of the Board. It manages the day-to-day business operations of SHL, including:

- Regularly assessing the achievement of targets set for the Company's business;
- Implementing the corporate policies, strategies and strategic plans given by the Board;
- Ensuring the efficient operation of the Company and achievement of optimized results;
- Ensuring that management capacity, financial and other resources are used efficiently.

The Board controls the actions of Senior Management through a variety of control mechanisms:

- The CEO and CFO inform the Board regularly about current developments, including by submitting written reports on relevant topics and participating in the relevant meetings of the Board and Board committees.

- Informal teleconferences are held as required between the Board and CEO and CFO as deemed necessary.
- Control over financial management is exercised by the FS Committee and the Board, which invite the CFO to each meeting at which financial results are discussed, as well as SHL's external auditors, as deemed necessary. The FS Committee and the Board discuss with the CFO and the auditors (to the extent applicable) not only the financial statements themselves but also their assessment of the internal controls and whether any material weaknesses have come to their attention.
- SHL has an Internal Auditor (for further information, please refer to "Committees of the Board and Internal Auditor" above). The Internal Auditor examines the processes and controls of the Company - not only with regard to financial operations, but also with regard to compliance of management with internal and external policies - and conveys his findings to the Chairman of the Board, the CEO and the Chairman of the Audit Committee, (for more information please refer to Section 3.3 "Internal Auditor" above).

The Board of Directors is also responsible for the supervision the Company's internal control system and risk management. The Senior Management of SHL identifies, analyzes, measures, monitors and mitigates financial and non-financial risks on an ongoing basis within the frame of the Company's general strategy. This includes, in particular, credit risks, foreign currency risks, risks regarding the fair value of financial instruments as well as liquidity risks. For the nature and management of these risks see Note 18 ("Financial Instruments") in SHL's financial statements for the year ending December 31, 2021 (see pp. 98 of SHL's financial statements). Further relevant risks that are monitored concern the market, the industry, compliance with national and international regulations in particular with regard to the medical sector, customer requirements, IT especially in connection with telemedicine industry, supply-side risks and catastrophes. When imminent risks are identified, qualified individuals are determined to deliver effective

risk management. Risk assessments are submitted by the relevant individuals when appropriate, but at least annually, to the Senior Management, the relevant organ and the Board of Directors.

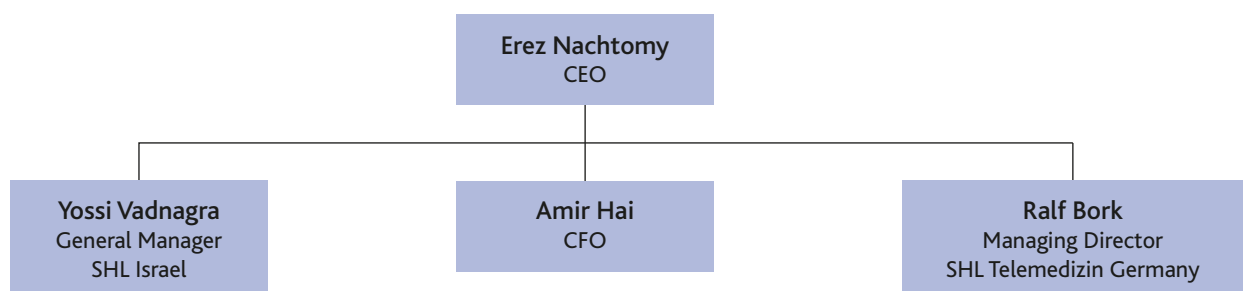
## 4. Senior Management

### 4.1 Members of Senior Management; Other Activities and Vested Interests

#### 4.1.1 Organizational Structure as of December 31, 2021

##### 4.1.2

The following members of management were in office as of December 31, 2021:



**Erez Nachtomy**  
CEO

Mr. Nachtomy was appointed as CEO as of May 17, 2020. For Mr. Nachtomy's resume, please see Section 3.1 above.

to that, Mr. Vadnagra worked for five years as Chief Financial Officer and Strategic Planning for Elbit India Healthcare, a subsidiary of Elbit Imaging Ltd. (NASDAQ: EMITF). Mr. Vadnagra is a CPA (Israel) with an MBA in Finance, both degrees achieved with honors from the College of Management in Israel. Nationality: Israeli.



**Yossi Vadnagra**  
General Manager of SHL Israel

Mr. Yossi Vadnagra serves as General Manager of SHL's Israel operations since June 2021. Mr. Vadnagra joined SHL in February 2017 as Director of Business Development in Israel and previously served as SHL's CFO from June 2017 to May 2021, and as interim CFO from July 2021 to January 2022. Mr. Vadnagra possesses over twenty years of experience in international markets with Blue Chip companies as CFO in the Healthcare, Retail, and Engineering sectors. Before joining SHL, Mr. Vadnagra worked for six years as Chief Financial Officer and Co-CEO for G&V Business Solutions Ltd. in Israel and India, and in this capacity, worked with SHL on business development projects in India. Prior



**Linus Drop**  
Managing Director SHL Telemedizin,  
Germany

Mr. Drop joined SHL Telemedicine in January 2021. Mr. Drop has significant experience in the German Healthcare market. He founded Jumedi in 2017 and served as its Managing Director. From 2008 to 2017 he held the position of Managing Director of Sanvartis GmbH, a German telehealth company. Mr. Drop started his career at Barmer Healthcare Insurance company where he held different positions for over 10 years. Mr. Drop studies training as a social security clerk (SOFA) and is a graduate of the business administration program of the Barmer Leadership Academy. Nationality: German.



#### Officers who have joined SHL during 2022:



**Amir Hai**

##### **Chief Financial Officer**

Amir Hai joined SHL in January 2022 as the Company's CFO, replacing Mr. Vadnagra, who served as interim CFO from July 2021 to January 2022.

Prior to his current position, Mr. Hai served as Chief Financial Officer at Radcom. Mr. Hai served as Chief Financial Officer for several multinational companies including a Nasdaq traded optical manufacturing corporation and a software company traded on the Frankfurt Stock Exchange. He also served as external director and Chairman of the Audit Committee to Matrix I.T. Ltd. Mr. Hai holds a BA degree in accounting and management from the College of Management in Tel Aviv and is a CPA in Israel.

#### Officers who have resigned from SHL during 2021:

##### **Yoni Dagan, CTO (until October 2021)**

Mr. Yoni Dagan served as SHL's CTO from February 2017 until October 2021. Prior to his position as the Company's CTO, Mr. Dagan led the R&D group or US-based medCPU based in Tel Aviv, a company of enterprise decision support software and services capturing and analyzing the clinical picture from clinicians' freetext notes, dictations, and structured documentation entered into any Electronic Medical Record. Mr. Dagan has over 15 years of experience as a technology expert specializing in medical devices, multidisciplinary systems, and leading multidisciplinary projects. Prior to his role with medCPU, Mr. Dagan served as Vice President of R&D in PulmOne Advanced Medical Devices, and CTO in SleepRate leading teams that developed novel medical devices and technologies. As CTO of SHL, Mr. Dagan is in charge of the technological needs and R&D of the Company. Mr. Dagan holds an MSc and a BSc in biomedical engineering, and an MBA from Tel Aviv University. He is a member of the medical devices standardization committee in the Israeli Institute of Standards. Nationality: Israeli.

##### **Dov Gal, CFO (until July 2021)**

Dov Gal joined SHL in May 2021 and served as SHL's CFO effectively from June 2021 until

July 2021. Since 2015 Dov served as the CFO for EarlySense, a global company in the healthcare continuous monitoring solutions field. Between 2003 to 2013 Dov was the CFO and COO for Optier Inc., a privately held international software company. Prior to that he held CFO and VP Finance positions at several publicly traded companies, including Memco Software Ltd, Bogen International Inc. and Aryt Industries Ltd. listed on Nasdaq. Mr. Dov is a Certified Public Accountant (Israel) and holds a B.A. in Economics and Accounting from Ben-Gurion University, Israel. Nationality: Israeli.

##### **Ralf Bork, Co-Managing Director (until December 2021)**

##### **SHL Telemedizin, Germany**

Mr. Bork joined SHL Telemedicine in February 2018 and was appointed an Interim Managing Director in May 2019 and as Managing Director since January 1, 2020 until his resignation on December 31, 2021. Previously he worked as Head of International Development and Deployment at Allianz Global Health. Previously served as VP Commercial at ResMed, reporting directly to the President of MEA/APAC. Following university, Mr. Bork worked for Roche Diagnostics and later McKinsey & Company. Mr. Bork holds an MBA with concentration in Economics from Philipps-Universität Marburg. Nationality: German.

The following members of management have served as management for part of the year under review, and are no longer employed by SHL: Mr. Yoni Dagan, who served as the Company's CTO, until October 2021; Mr. Ralf Bork, who served as the co-managing director of SHL Telemedizin, Germany, until December 31, 2021, and Mr. Dov Gal who served as the Company's CFO from June 2021 until July 2021.

#### **4.2 Management Contracts**

SHL has not entered into management contracts with third parties. SHL's office holders who are in management are employees of the Company and their engagement terms and conditions are determined under their respective employment agreements.

## 5. Compensation, Shareholdings and Loans

### 5.1 Content and Method of Determining the Compensation and of the Shareholding Programs – Compensation Policy

Pursuant to the Israeli Companies Law, an Israeli public company is required to adopt a compensation policy with respect to the terms of engagement of its officer holders (as such term is defined under the Israeli Companies Law and including without limitations, directors and controlling shareholders engaged as officers of the Company, subject to limited exceptions set forth in the regulations promulgated under the Israeli Companies Law in connection therewith (which are not applicable to SHL). The adoption of the Compensation Policy requires approval by the shareholders of the Company, further to approval by the Board which has to take into consideration the recommendations issued by the Compensation Committee in this respect. The relevant shareholder approval is subject to a special majority requirement of either (a) the majority vote in favor of the resolution including the consent of at least a majority of the shareholders' voting power represented at the meeting in person or by proxy and voting thereon who are neither controlling shareholders of the Company nor have a personal interest in approving the Compensation Policy (not including abstaining votes), or (b) the total number of votes of those shareholders described in (a) above and objecting to the adoption of the Compensation Policy not representing more than two (2) percent of the voting rights in the Company. Any shareholder participating in the vote on the adoption of the Compensation Policy has to inform the company prior to the relevant vote whether or not he/she/it has a personal interest therein. Votes of shareholders who did not notify the Company on whether or not they have a personal interest in accordance with the foregoing are not counted.

As a general rule, pursuant to the Israeli Companies Law, remuneration to office holders which is inconsistent with the compensation policy of the company requires, in addition to the approval of the compensation committee and of the board of directors, the approval of a special majority in the general meeting of the shareholders, as set forth hereinabove.

Notwithstanding the aforesaid shareholder approval requirement, the Compensation Policy may also be approved, despite objection by the Company's shareholders in the event that after renewed consideration of the Compensation Policy and based on detailed reasons, both the Compensation Committee and thereafter the Board resolve that the adoption of such Compensation Policy despite the shareholders' objection is in the Company's best interest.

The 2020 Compensation Policy was adopted by the Special General Meeting of the shareholders of the Company held in September 2020, following the expiration of the 2017 Compensation Policy and the recommendation and earlier approval of the Compensation Committee and of the Board. The 2020 Compensation Policy includes several amendments in comparison to the 2017 Compensation Policy, which include: (i) the removal of a provision regarding severance payments pursuant to which severance payments of executive officers shall be in accordance with the provisions of the "General Approval regarding the payments by Employers to Pension Funds and Insurance Funds, in lieu of Severance Payments pursuant to the Severance Pay Law, 5723-1963"; (ii) the removal of a provision pursuant to which a director who is also an executive officer shall not be entitled to remuneration as a director. (iii) an amendment to the provisions with respect to directors remuneration, pursuant to which: (a) an Active Chairman of the Board shall receive a separate compensation in lieu of the remuneration to which the directors are entitled to, provided that such remuneration shall not exceed the sum of NIS 780,000 per annum (employer's cost); (b) the Company shall be entitled to pay a participation remuneration to directors (excluding the Active Chairman) for meetings via electronic means at the same rate as the remuneration it pays for physical meetings (subject to any applicable law); (iv) the addition of a list of the eligible KPIs for the annual bonus plan for the CEO; (v) the addition of a provision pursuant to which the Compensation Committee and the Board may decide, at their sole discretion, to pay an executive officer annual bonus even if KPIs were not determined in advance or in the



event that the executive director did not achieve the KPIs determined, provided that the annual bonus shall not exceed three (3) times the base salary of that executive officer; (vi) amendment to the provision regarding the fair value of the share based compensation pursuant to which it shall not exceed the sums denominated in the Compensation Policy for one year (i.e. the fair value of the share base compensation at the time of the grant divided, linearly, to the number of the years until all the share based compensation is vested), and an amendment to the maximum sum of the share based compensation for all directors as a group per annum, which was increased from USD 500,000 to USD 800,000; (vii) the addition of a provision with respect to insurance, prescribing the maximum coverage per a claim and for a period of one year (a sum which shall not exceed USD 15 million) and for the insurance premium for a period of one year (a sum which shall not exceed USD 69,000). The 2020 Compensation Policy of the Company shall expire in September 2023.

Under law, the Board is required to examine from time to time whether any amendments to the Compensation Policy are necessary in light of changing circumstances or for any other reason, and similarly, the Compensation Committee shall issue recommendations to the Board in this respect from time to time. The Israeli Companies Law provides that the Compensation Policy shall be determined under consideration, amongst others, of the following points: (a) furtherance of the Company's objectives, its business plan and policies, with a long term view; (b) creation of adequate incentives for officer holders of the Company under consideration of the Company's risk management policy; (c) size of the Company and the nature of its operations; and (d) with respect to variable compensation components - the contribution of the office holder to the achievement of the Company's targets and increase in revenues, all with a long-term view and in accordance with the position of the relevant office holder.

Further, the Compensation Policy shall deal with the following matters: (a) education, qualifications, expertise, professional experience and achievements of the relevant office holder; (b) the position of the office holder, his/her

responsibilities and previous engagements signed with him/her; (c) the relation between the engagement terms of the relevant office holder to the engagement terms of the other employees and/or subcontractors of the Company and particularly, the relation to the average salary and to the median (i.e. 50th percentile) salary of such employees and the impact of the difference between the foregoing on the working relationships in the Company; (d) in the event officer engagement terms include variable components - the possibility of reducing such components in the discretion of the Board of Directors, as well as the possibility to determine ceilings for the value of variable components which are not paid in cash; and (e) in the event the officer engagement terms include retirement grants - the period of engagement of the office holder, the applicable engagement terms during such time period, the performance of the Company during such period, the contribution of the officer holder to the achievement of the Company's targets and increase of its revenues, as well as the circumstances of retirement. At last, the Compensation Policy must contain the following provisions: (a) with respect to variable compensation components: (i) such must be based on the achievement of long-term performance goals and objectively measurable criteria (although with respect to an immaterial part of such components, the Company may resolve that such shall be granted based on criteria not objectively measurable under consideration of the officer holder's contribution to the Company); and (ii) the proportion between fixed and variable compensation components must be set, as well as a ceiling for the value of variable components at the time of payment (provided that with respect to variable components which are not paid in cash, a ceiling needs to be fixed at the time of grant); (b) a provision pursuant to which an office holder will repay to the Company any sums paid to him/her as part of his/her compensation if such sum was paid based on data which later turned out to be faulted and which was restated under the Company's financial statements, all on such conditions as set forth under the Compensation Policy; (c) a minimum holding and vesting period for variable compensation components in the form of equity, under reference

to adequate incentives with a long-term view; and (d) a ceiling with respect to retirement grants. In an amendment to regulations promulgated under the Companies Law, certain reliefs were permitted, such as allowing a CEO to approve not material increases in salaries of office holders, yet in its Compensation Policy the Company elected not to implement same.

SHL's Compensation Policy stipulates that its main principles and objectives are as follows: to promote SHL's mission, long term goals and targets; (b) to create appropriate incentives for SHL's officers with the aim of aligning such officers' compensation with SHL's mission and goals, taking into account, inter alia, SHL's risk management policy; (c) to adapt a compensation package combination that matches the size of SHL and the nature of its activities; and (d) to comply with the provisions of the law by compensating those eligible pursuant to the Compensation Policy, based on their contribution and their efforts to the development of SHL's business and promotion of its goals, in the short and long term.

The Compensation Policy further provides that in general, the compensation terms of officers are to be examined annually while taking, inter alia, the following parameters into account: (i) the education, qualifications, expertise, seniority (in SHL in particular, and in the officer's profession in general), professional experience and achievements of the officer; (ii) the officer's position, and his previous agreements; (iii) the officer's contribution to SHL's business, profits and stability; (iv) the degree of responsibility imposed on the officer; (v) SHL's need to retain officers who have skills, know-how or unique expertise; (vi) SHL's global nature; (vii) the ratio between the officer's employment terms and conditions of and other Company employees and/or contract workers employed by SHL and in particular the ratio between such officer's compensation to the average wage and the median wage in the Company and the impact of the differences on labor relations in the Company.

Pursuant to the Compensation Policy, SHL is entitled to grant to some or all of its officers (who are not directors) a compensation package including any or all of the following: fixed base salary in the form of cash,

commissions, variable annual cash bonus, retirement grant, and share-based compensation. The compensation for each officer can also include additional standard benefits such as social benefits, pension insurance, managers insurance, study fund, severance payment, car allowance, mobile phone allowance, and medical insurance. The Compensation Policy further provides that SHL's officers are entitled to benefit from insurance, exemption and indemnification arrangements to be approved from time to time pursuant to applicable law and the Articles of Association of the Company. It also stipulates that the Compensation Committee and the Board are to update the base salary of each of its officers from time to time based on the parameters specified above.

With respect to share based compensation, the Compensation Policy provides that the Company is entitled to grant its officers options, restricted stock units or any other share-based compensation pursuant to an equity plan as adopted or shall be adopted, from time to time and subject to any applicable law. The aggregate fair value of such share-based compensation, measured at the time of grant, for all of the officers of the Company as a group, in a three (3) year period, is not to exceed individually for each officer (other than the CEO) a fair value which is one and a half (1.5) the annual base salary (and for the CEO two and a half (2.5)). Any share based compensation, if granted, is to mature in installments or vesting periods (or depend on meeting milestones) which shall take into account the appropriate incentive, in light of the Company's objectives in the years following the approval of the grant, and in any event the vesting shall be at a minimum as follows: (i) first cliff following one (1) year from the date of grant; and (ii) full vesting not earlier than 36 months from the date of the grant. Pursuant to the Compensation Policy, the applicable exercise price of share based compensation was to be equal to the average closing price of the SHL's share during the thirty (30) trading day period preceding the date of grant; however, the Compensation Committee and the Board have discretion to determine a different price under special circumstances and in exceptional cases, as laid out in their decision.

Option grant is done pursuant to the Board's full discretion pursuant to the general rules set forth under the policy, as described herein. Options to VP's are usually based on CEO's recommendations (subject to approvals by the Compensation Committee and the Board), and to the CEO based on the approval of the Compensation Committee, of the Board and of the General Meeting of the Company's shareholders, and are sometimes the outcome of negotiations with the relevant employee.

With respect to the Company's directors (including also Independent (external) Directors and Independent (non-dependent) Directors), compensation is in accordance with the Rules Regarding the Compensation and Expenses of an External Director - 2000 (as promulgated under the Israeli Companies Law) (the "Director Compensation Regulations"). Subject to applicable law, compensation shall be allowed in amounts higher than what is stated in the Director Compensation Regulations, if any of such Independent (external) Directors or Independent (non-dependent) Directors is a professional director, an expert director or a director who makes a unique contribution to the Company. Both Independent (external) Directors of the Company, Mr. Abramovich and Ms. Kimhi, are expert directors and therefore are entitled to a higher compensation. Further, SHL is also entitled to pay to its directors share-based compensation (subject to applicable law and the restrictions applicable thereto in general under the Compensation Policy, as described above), but in any event the aggregate fair value of the share-based compensation, measured at the time of a new grant, for all of such directors, as a group, in any three (3) year period, did not exceed a fair value of USD 800,000 for one year. In December 2021, the Annual General Meeting approved, following the approval of the Compensation Committee and the Board: (i) the grant of indemnification letters to the Company's current and future directors and officers, including the CEO and officers and directors who may be deemed controlling shareholders; (ii) the grant of options to purchase 18,000 ordinary shares of the Company at an exercise price of CHF 17.02 per share and with vesting over a three-year period, to each of Mr.

Yehoshua Abramovich, Ms. Dvora Kimhi, Mr. Amir Lerman, Mr. Erez Alroy and Mr. David Salton, who serve as members of the Board; and (iii) an amendment to the Company's directors' compensation, so that each current and future Board member shall receive an annual fee of NIS 68,000 and a participation fee of NIS 3,600, which is paid for the participation of the director in each meeting of the Board or any committee thereof, including for participation via electronic means. The amounts are linked to the Consumer Price Index in Israel. With respect to written resolutions, the remuneration shall be 50% of the participation fee; all plus VAT, if applicable. Mr. Yariv Alroy will receive such compensation in addition to his remuneration as our Active Chairman. Although the abovementioned amendment with respect to the Active Chairman's compensation constitutes a deviation from the provisions of the Compensation Policy of the Company, such deviation is lawful as it was approved by all the relevant corporate organs including the approval of a special majority of the shareholders.

In addition, under the 2020 Compensation Policy:

- a. **Chairman Compensation:** A chairman of the Board who took on increased duties on behalf the Company shall receive a compensation in recognition of such increased duties (i.e. a separate compensation in lieu of the remuneration of the chairman in his/her capacity as a Director (the "Chairman's Compensation"), as long as such person was an Active Chairman and provided that the Chairman's Compensation does not exceed the sum of NIS 780,000 per annum (employer's cost).
- b. In January 2021, the Board, following the approval of the Compensation Committee, approved the amendment of Mr. Yariv Alroy's terms of office to reflect his contribution and devotion to SHL in his capacity as an Active Chairman (as defined in Section 3.3 "Internal Organizational Structure" above). The main modifications to Mr. Alroy's terms of office include (i) commitment to 90% scope of position, (ii) total monthly salary of NIS 65,000 plus value added tax, instead of Boards

members' remuneration (annual fee and participation fee) and the monthly payment of NIS 18,000 plus value added tax, and (iii) grant of 250,000 options to purchase Ordinary Shares at an exercise price of CHF 10.73 per share (reflecting the average price per share in the 30 trading days prior to Board approval). The options' vesting schedule shall be in accordance with the Company's 2021 Incentive Plan and in the event that Mr. Alroy ceases to serve in his position due to a change of control in the Company, all the options will automatically be fully vested, and shall be exercisable at any time until the lapse of six (6) months from the date of the cessation of his engagement, and shall thereafter terminate. The amendment above has been approved by the Special General Meeting of the Shareholders of the Company on March 1, 2021.

- c. **Base salary:** The fixed base salary of each executive officer shall be determined based on a variety of considerations taking into considerations: (i) competitiveness - the base salary of executive officers will be evaluated by conducting external benchmarking using a defined peer group, selected based on such factors, among others, as Company's size, global footprint, nature of activities and competitors of similar talent; and (ii) internal fairness (Please find the description of the benchmarks below).
- d. **Annual bonus:** Executive officers may be entitled to a variable cash bonus in accordance with an annual bonus plan, aimed to create an alignment between the compensation of the executive officers and the Company's annual and long term goals while focusing, inter alia, on individual goals that will be defined for each of the executive officers. The Board (after the approval of the Compensation Committee) shall have the full discretion to determine the amount of the bonus payout, if any, of any and all executive officer(s) in any given year, up to the maximum amounts set forth below, and may also reduce such bonuses. The actual grant of bonuses shall be approved pursuant to applicable law. Annual bonus payout to executive officers may be calculated by using financial metrics

and/or measurable key performance indicators ("KPI"), as pre-determined by the Compensation Committee and the Board, and/or qualitative evaluation the criteria for which are determined at the discretion of the Compensation Committee and the Board, based on budget targets, cash flow targets, profit targets, capital raise and individual goals. The measurement of profit targets shall be based on the audited annual financial statements of the Company, and the weighting of non-measurable criteria is based on the discretion of the Compensation Committee and the Board, as follows: (i) CEO - measurable KPI - group/company KPI - 80%-100%; qualitative evaluation - up to 20%. (ii) VPs (Vice Presidents - other executive officers subject to the CEO) - group/company KPI - up to 100%; individual KPI - up to 60%; qualitative evaluation - up to 20%.

- e. Maximum amount of the annual cash bonus shall be as follow: (i) CEO - up to twelve (12) times of his or her base salary; VPs - up to six (6) times of such VP's base salary.
- f. **Entitlement to annual bonus:** (i) The Compensation Policy lists some, but not all of the eligible KPIs for the annual bonus plan both on a group or company level, such as budget, cash flow or profit targets, or on an individual level, such as number of subscribers, meeting objectives of product development, gaining new businesses, sales targets, including geographical areas and/or from new products, and more, with goals for VPs; and for the CEO KPI such as revenue, revenue from existing geographies (Israel and Germany), revenue from new geographies, new products or new business line, EBITDA, operating free cash flow, net profit, subscribers in Israel, telehealth users, telehealth visits, major strategic impact (new major contract, new meaningful product/technology launching or purchasing, major international distribution agreement or partnership, M&A) and chronic care tenders; (ii) The measurement of profit targets shall be based on the audited annual financial statements of the Company. For the purpose of calculating a profit target, revenue and expenses not involving cash flow and/or re-evaluation of assets will



not be taken into account; (iii) The annual cash bonus parameters will be determined by the Compensation Committee and the Board, taking into account the Company's risk management policy; (iv) Entitlement of an executive officer to receive any annual bonus shall be conditioned upon the achievement of a minimal threshold of 80% of the target performance of each of his or her KPIs or any other threshold determined in the annual bonus plan (the "Threshold"). Performance below the Threshold of a KPI shall not entitle such executive officer to any bonus payment with respect to such KPI; however, achievement of such Threshold of other KPIs of an executive officer may entitle same to a bonus payment with respect thereto. Performance above the Threshold may entitle the executive officer to a linear pro rata portion of the bonus set for such KPI or any other portion determined in the annual bonus plan (up to the ceiling of the bonus allocated thereto, provided that the aggregate annual bonus paid to an executive officer shall not exceed the ceiling set forth hereinabove. Notwithstanding the above, the Compensation Committee and the Board may decide, at their sole discretion, to pay an executive officer annual bonus, even if KPIs were not determined in advance or in the event the executive officer did not achieve the KPIs determined, provided however, that the annual bonus shall not exceed three (3) times the Base Salary of that executive officer.

**g. Special bonus:** in addition to the annual cash bonus, under special circumstances, the Compensation Committee and the Board may determine that an executive officer is also entitled to other cash bonuses in recognition of a "Significant Achievement" such as: merger, consolidation or acquisition of the Company with, by or into another corporation or entity; private placements to a strategic investor; public offering in a sum and a valuation predetermined by the Board: "Significant Achievement" - for the purpose of this Section means an increase of at least 20% of the Company's equity or Company's market value or Company's annual revenue. The total amount of special cash bonuses

awarded to an executive officer for any given calendar year may be up to six (6) times of the base salary of the CEO and three (3) times of the base salary of any other executive officer. In the year under review, the Company did not grant any special bonus.

- h. Share-based compensation:** (i) The fair value of the share based compensation shall not exceed the following for one year (i.e. the fair value of the share base compensation at the time of the grant divided, linearly, to the number of the years until all the share based compensation is vested): for an executive officer other than the CEO - one and half (1.5) times such executive officer's yearly base salary, for the CEO - shall not exceed two and a half (2.5) times the CEO's yearly base salary, and for all Directors as a group - an amount of USD 800,000; (ii) acceleration in a change of control event: in the event of a Corporate Transaction (as such term is defined under the Company's 2021 Executive and Key Employee Share Incentive Plan, see Section 2.2, or any share incentive plan as in effect, from time to time), or in the event of termination by the Company of an executive officer (except for "cause") in a Change of Control event (as defined under law), subject to the recommendation and approval of the Compensation Committee (and subject to shareholder approval, if required under the Companies Law), the Board may authorize and approve the acceleration of all or any part of any unvested options outstanding immediately prior to the consummation of the Transaction. The share-based compensation is additional to the base-salary and does not constitute a part thereof.
- i. Advance notice period:** The advance notice period shall be determined individually with respect to each executive officer, and shall not exceed a period of six (6) months advance notice for the CEO and three (3) months periods for other executive officers.
- j. Retirement grant:** An executive officer may become entitled to a retirement grant in the event of termination by the Company (except for "cause"), such grant to be

examined in light of the period of service or employment of the executive officer in the Company, the terms of service, the Company's performance during said period, the contribution of the executive officer to achieving the Company's goals and its profitability, and the circumstances of retirement. The amount or value of such retirement grant shall not exceed an additional six (6) months for the CEO (provided he is not a controlling shareholder) and three (3) months for the executive officers, of base salary, all in addition to the advance notice.

In the year under review the Company has not awarded any retirement grants.

- k. Retirement grant in a Change of Control event: Upon termination of service or employment by the Company (except for "cause") of the CEO, or by the CEO (provided he is not a controlling shareholder) resulting from a Change of Control event, and during a six (6) months period following the closing date of such event, such terminated CEO may be entitled to an additional retirement grant of up to three (3) times of such CEO monthly base salary. Company may elect to pay such additional grant, to the extent approved, by acceleration of any future grants to the extent same exist under the employment agreement of any so eligible CEO. "Change of Control" - as such term is defined under the Israeli Companies Law. During the process of approval of the Compensation Policy the Compensation Committee and the Board have been presented and have taken into account a benchmark paper prepared by an impartial external consultant, with whom the Company is not otherwise engaged.

The companies included in the benchmark were twelve (12) public companies traded on the Tel Aviv Stock Exchange in the fields of commerce and services or technology, with revenues of up to three (3) times that of the Company.

Among the Companies used as a benchmark for the policy were:

**Somoto** - Traded on TASE - Technology (Software and Internet), Equity (31.12.15)

NIS 101,409,000, Revenues - NIS 115,620,000, Net Profit - NIS 13,719,000;

**Telsys** - Traded on TASE - Real estate - commerce and services, Equity (31.12.15) NIS 99,190,000, Revenues NIS 190,039,000, Net Profit - NIS 12,028,000;

**Allot Communications** - Traded on NASDAQ - Technology (Software and Internet), Equity (31.12.15) NIS 605,723,000, Revenues - NIS 358,919,000, Loss - NIS -93,444,000; and more. The benchmark was based on the information published in the annual reports for the year 2015 of said companies. For comparison purposes, SHL figures for 31.12.15 in NIS were: Equity - NIS 133,460,000, Revenues - NIS 144,120,000, Loss NIS -61,161,000.

In determining the terms and conditions of employment of the CEO, a benchmark using twenty nine (29) public companies was used, the ones used in the previous benchmark as well as other public companies, including life science companies and such traded on TASE and/or NASDAQ, and based on such companies' annual reports for 2016. This benchmark compared the breakdown between base salary, options and annual and special bonuses for CEOs.

Among the companies the major ones were used as a benchmark for the CEO compensation were:

**Somoto** - Traded on TASE - Technology (Software and Internet) - Market Cap (29.12.16): NIS 169,078,000 - Equity (31.12.16): NIS 125,355,000 - Profit (31.12.16): NIS 29,772,000;

**Maytronics** - Traded on TASE - Technology (Electronics and optics) - Market Cap (29.12.16): NIS 1,517,375,000 - Equity (31.12.16): NIS 285,577,000 - Profit (31.12.16): NIS 70,731,000;

**Orbit** - Traded on TASE - Technology (security) - Market Cap (29.12.16): NIS 74,718,000 - Equity (31.12.16): NIS 54,234,000 - Loss (31.12.16): NIS -18,890,000;

**Itamar Medical** - Traded on TASE - Biomed (medical equipment) - Market Cap (29.12.16): NIS 390,959,000 - Equity (31.12.16): NIS 20,152,000 - Loss (31.12.16): NIS -55,380,000;

**Evogene** - Traded on TASE and NASDAQ - Biomed (Biotechnology) - Market Cap (29.12.16): NIS 499,424,000 - Equity (31.12.16): NIS 335,626,000 - Loss (31.12.16): NIS -75,331,000;

**Mazor Robotics** - Traded on TASE and NASDAQ Biomed (medical equipment) - Market Cap (29.12.16): NIS 2,054,786,000 - Equity (31.12.16): NIS 249,498,000 - Loss (31.12.16): NIS -71,778,000;

**Compugen** - Traded on TASE and NASDAQ Biomed (Biotechnology) - Market Cap (29.12.16): NIS 1,003,406,000 - Equity (31.12.16): NIS 244,231,000 - Loss (31.12.16): NIS -121,141,000;

**Pluristem** - Traded on TASE and NASDAQ - Biomed (Biotechnology) - Market Cap (29.12.16): NIS 446,960,000 - Equity (31.12.16): NIS 96,563,000 - Loss (31.12.16): NIS -139,112,000;

**Brainsway** - Traded on TASE - Biomed (medical equipment) - Market Cap (29.12.16): NIS 238,837,000 - Equity (31.12.16): NIS 39,554,000 - Loss (31.12.16): NIS -9,216,000;

**Telsys** - Traded on TASE - Real estate - commerce and services - Market Cap (29.12.16): NIS 174,686,000 - Equity (31.12.16): NIS 99,190,000 - Profit (31.12.16): NIS 12,305,000;

**Nisko Electricity** - Traded on TASE - Real estate - commerce - Market Cap (29.12.16): NIS 84,705,000 - Equity (31.12.16): NIS 101,379,000 - Profit (31.12.16): NIS 1,087,000;

**Allot Communications** - Traded on NASDAQ - Technology (Software and Internet) - Market Cap (29.12.16): NIS 627,486,000 - Equity (31.12.16): NIS 604,334,000 - Loss (31.12.16): NIS -30,737,000; and more.

For comparison purposes, SHL figures for 31.12.16 in NIS were: Market cap NIS 271,063,000, Equity NIS 91,687,000, Loss NIS 42,613,000

## 5.2 Approval Requirements

### Board of Directors

Except for limited circumstances provided for under regulations promulgated under the Israeli Companies Law, pursuant to the Israeli Companies Law, the compensation to be paid to the directors as such, as well as the terms of employment (including the terms and conditions of the directors and officers insurance and indemnification) of any of the directors in any other position, require the approval of the Compensation Committee, the Board and the shareholders (by a simple majority) and the relevant approvals by the Compensation Committee and the Board need to be made in accordance with the Compensation Policy in effect (subject to a limited exception).

Further, pursuant to the Israeli Companies Law, approval by the shareholders of the terms of engagement of a controlling shareholder as an office holder (including as a director) or employee (and subject to the limited circumstances provided for under regulations promulgated under the Israeli Companies Law in which such shareholder approval is not required), requires either (i) that the majority vote in favor of the resolution shall include the consent of at least a majority of the shareholders voting power represented at the meeting in person or by proxy and voting thereon who have no personal interest in approving the resolution (not including abstaining votes), or (ii) that the total shares of the shareholders who have no personal interest in approving the resolution voted against the resolution do not represent more than two (2) percent of the voting rights in the company (the Israeli Minister of Justice is authorized to determine a different percentage; no such rules were promulgated to date).

Pursuant to the provisions of the Israeli Companies Law, as a general rule, any person that has a personal interest in a transaction (including approval of the terms of office of a director) may not participate or vote at the relevant Board, Audit Committee, or (with respect to the approval of engagement terms) Compensation Committee meeting where the transaction is discussed; provided that office holders who have a personal interest in a transaction may be present for the purpose of presenting such transaction, if the Chairman of the Audit Committee, the Chairman of the Board or the Chairman of the Compensation Committee, as the case may be, determined that such presence is required. In addition, if the majority of the members of the Board of Directors, the Audit Committee or the Compensation Committee, as applicable, have a personal interest in the terms of office of such a director, then the relevant director may be present during the deliberations and may vote on his terms of office, and in such event, shareholder approval is also required.

It is hereby noted that pursuant to the relevant regulations promulgated under the Israeli Companies Law, if the compensation



of directors (including directors who are controlling shareholders) does not exceed the annual compensation and the participation compensation per meeting set forth in the Director Compensation Regulations, then under certain circumstances and given the approval of the company's compensation committee and the board of directors of that company, the approval of the shareholders is not required.

The compensation payable to Independent (external) Directors, is approved at the time of his/her election (Independent (external) Directors are elected for a term of three (3) years). Pursuant to the Director Compensation Regulations, all Independent (external) Directors shall be entitled to the same compensation. The current compensation payable to all current Board members, including Independent (external) Directors, as further described below, was last approved by the Compensation Committee and the Board on October 31, 2021 and by the Annual General Meeting held on December 9, 2021.

As of December 31, 2021 and the day hereof, all Board members of the Company (excluding Mr. Nachtomy who serves as CEO and is not entitled to the participation fee) receive the same compensation per meeting, in the amount of NIS 3,600 (whether such meeting is held physically or by electronic means) as well as annual compensation in the amount of NIS 68,000. The Active Chairman of the Board, Mr. Yariv Alroy, is entitled to said participation fee and annual fee, in addition to his current compensation from the Company. The CEO, Mr. Erez Nachtomy is entitled to the annual fee but not to the participation fee, as noted above (the amounts above are linked to the Israel Consumer Price Index).

No option grants were approved with respect to said directors during the year under review, except as set forth in the table under "Compensation for Acting Members of Governing Bodies" in Section 5.3 below.

It is noted, that in the first 2017 Special General Meeting it was approved to issue to each "Other" director as such term defined under Israeli Law (i.e. inter alia, not including a controlling shareholder) the grant of 18,000 options to purchase 18,000 Ordinary Shares of SHL under

SHL's Share Incentive Plan. The following current members of the Board were granted 18,000 options (each) by the Company, in accordance with the SHL's 2021 Share Incentive Plan: Prof. Lerman, Mr. Abramovich, Ms. Kimhi, Mr. Salton, Mr. E. Alroy and Mr. Nachtomy (see Table below in this Section 5). The issuance of all the aforesaid options was approved by the Board, the Compensation Committee and the shareholders of the Company.

There is currently one executive director (as defined above in Section 3 "Board of Directors" - "Executive and Non-Executive Members of the Board") on the Board of Directors, Mr. Nachtomy who serves also as the Company's CEO. The applicable compensation paid to the directors and the Chairman in the year under review pursuant to the foregoing is reflected in the table on "Compensation for Acting Members of Governing Bodies".

The Independent (external) Directors of SHL are entitled to compensation as provided under the Director Compensation Regulations and in accordance with the Company's Compensation Policy (please refer to Section 5.1 above), which compensation is comprised of reimbursement of reasonable expenses and a fixed annual fee plus a participation fee per each Board or Committee meeting attended, all as set forth in the Director Compensation Regulations. Independent (external) Directors are not entitled to any performance-based compensation. The Director Compensation Regulations specify the annual fee and the participation fee to be paid to external directors, depending on the company's shareholders' equity. The Director Compensation Regulations also allow for an alternative payment method, according to which the remuneration paid to external directors will be the same as the remuneration received by the other directors of the company who are not employed by the company and are not controlling shareholders thereof (proportionate remuneration).

It should be noted that Mr. Yariv Alroy, as an Active Chairman of the Board, receives a remuneration in his capacity as such (for further information, please refer to Section 5.1 above).

Directors are reimbursed for travel and other reasonable expenses related to their capacity as directors of SHL and all directors (including

directors that are not compensation for their services) are entitled to indemnification and D&O insurance coverage, all as approved by the Compensation Committee, the Board and the shareholders (for more information on director compensation, see also "Compensation for Acting Members of Governing Bodies" Section). The Board of Directors is in charge of the implementation of the Compensation Policy, which shall be in force for a period of 3 years from the date the Compensation Policy is duly approved. The Company has the right to change the Compensation Policy, at any time, in accordance with the provisions of applicable law. Pursuant to the Compensation Policy, the Compensation Committee (i) shall examine the application of the Compensation Policy, from time to time, and at the latest each year, and recommend any changes, to the extent necessary, to the Board, and (ii) shall evaluate annually the performance of each of the Company's executive officers and shall review at least annually the executive officers' personal compensation programs in light of the Company's goals and objectives with respect to such programs, and recommend any changes to the Board.

#### **Senior Management (Other than the CEO)**

Pursuant to the Israeli Companies Law, the engagement terms of office holders of the Company that are not directors, controlling shareholders or their relatives, or the CEO of the Company (including indemnification undertakings and officer insurance coverage) require approval by the Board following approval by the Compensation Committee, and the approval by the Board and the Compensation Committee shall be in accordance with the Compensation Policy (subject to a limited exception). Pursuant to the Israeli Companies Law, the salaries and emoluments of the executives of SHL were, in the year under review, governed by the Compensation Policy, taking into account with respect to each executive, the parameters according to the 2020 Compensation Policy and the framework set forth thereunder (for a further description thereof, please refer to Section 5.1 of this report). Generally, members of the management whose compensation is being discussed may participate in the Compensation

Committee's meetings to the extent necessary, but may not be present when a resolution regarding their compensation is being adopted.

Since no specific targets (and the weight thereof), including KPIs for the year 2021 were determined in advance by the Compensation Committee and the Board, the amounts of bonuses to SHL's office holders which are indicated in this report are an estimate based on the Company's past bonus payments.

In general, compensation terms are reviewed when the CEO or the Board deem it necessary to review such terms, e.g. when market conditions change etc..

In the year under review, the annual compensation of Senior Management, other than of the CEO was comprised of a fixed base salary component and options. In the year under review the Company has made provisions for annual bonuses (based on the estimation thereof) in the amount of USD 180,108. In addition to the foregoing, all members of Senior Management were entitled to additional benefits in the form of a company car and a mobile phone. All members of Senior Management that were employed by the Company are also entitled to customary contributions to pension funds, as well as to "Study Funds" and some also have Disability Insurance. Such contributions amount on the Company's side to 6.5% for the pension component, 8.33% to the severance pay component, 7.5% to the Study Fund, and 0.7%-1% to the Disability Insurance (if applicable).

As a general rule, fixed base salary and performance based cash bonus are subject to the applicable effective Company's Compensation Policy and the conditions stipulated in such policy and are subject to the aforesaid corporate approval requirements for persons considered office holders, including office holders who may be deemed controlling shareholders, under the Israeli Companies Law. Share option incentive awards are subject to Compensation Committee approval in accordance with the Company's Compensation Policy and further Board approval and such additional corporate approvals as set forth above with respect to office holders.

Parameters taken into account related to the composition of the compensation packages of

Senior Management members were set forth in SHL's Compensation Policy (for a list of such parameters, please refer to Section 5.1 above). For limitations applicable to annual cash bonuses for the year under review, please refer to the description of the Company's Compensation Policy under Section 5.1 above. Overall, the compensation of Senior Management in the year under review was comprised, on an average to approximately 56% of a cash base salary and 44% of performance based cash bonuses and share options granted. Please note that the bonus amounts are an estimate based on the Company's past bonus payments, thus the actual payment of bonuses is subject to the approval of the Company's organs pursuant to and in accordance with the Companies Law.

#### **CEO**

Since no specific targets (and the weight thereof) for the year 2021 were determined in advance by the Compensation Committee and the Board, the actual annual bonus payment to the CEO for the year 2021 indicated below is an estimate based on the Company's past bonus payments.

Overall, the compensation of the CEO in the year under review was comprised of 78% of a base salary 22% of performance based cash bonuses and share options granted. Please note that as indicated above, the bonus amounts are based on an estimate, thus the actual payment of bonus to the CEO is subject to the approval of the Company's organs pursuant to and in accordance with the Companies Law.

For more information on director and senior management compensation, see also Section 5.3 "Compensation for Acting Members of Governing Bodies").

#### **Share Incentive Program**

The grant of equity compensation to employees, directors and consultants of SHL and its subsidiaries is in the sole discretion of the Board which may determine from time to time and subject to the provisions of the 2021 Share Incentive Plan, additional grantees of equity compensation under the plan and any matter related to the administration of the 2021 Share Incentive Plan.

Equity compensation grant is done pursuant

to the Board's full discretion pursuant to the general rules set forth under the policy, as described herein. Options to VP's are usually based on CEO's recommendations and approvals by the Compensation Committee and the Board, and to the CEO based on the Compensation Committee's recommendation and the Board's approval, and are sometimes the outcome of negotiations with the relevant employee.

Notwithstanding the aforesaid, pursuant to the provisions of the Israeli Companies Law, should such equity compensation be granted to the directors or a controlling shareholder as part of their compensation, such grant shall require the approval of the Compensation Committee, the Board and the shareholders, and with respect to office holders who are not directors, the CEO or controlling shareholders of the Company or their relatives, such grant shall require approval by the Compensation Committee, followed by approval by the Board, all of the foregoing approvals of the Compensation Committee and the Board to be made in accordance with the Compensation Policy. Pursuant to the Israeli Companies Law, the qualified majority described above (please refer to Section 5.2 - with respect to the approval by the shareholders of the engagement of a controlling shareholder as an office holder or employee) is also required for the approval by the shareholders of the grant of equity compensation to a controlling shareholder as part of its compensation. Further, SHL's Compensation Policy prescribes certain ceilings with respect to the value of any share-based compensation granted to (a) any individual officer; and (b) the non-executive directors as a group, in each case with respect to any three (3) year period (for more details regarding such ceilings, please refer to Section 5.1 above). The Compensation Policy also requires that the Compensation Committee and the Board, when discussing the grant, shall consider whether such grant is a suitable incentive for increasing SHL's value in the long term, the economic value of the grant, the exercise price and the other terms (for further details of the Compensation Policy with respect to shareholdings programs see Section 5.1).

For vesting conditions applicable to options, please refer to Section 2.2 above.

### 5.3 Compensation for Members of the Board of Directors and Senior Management

#### Compensation for Acting Members of Governing Bodies

It may be noted that SHL is not subject to the Swiss Compensation Ordinance.

The total of all compensation (including all employer contribution into pension funds, managers insurance, other social benefit payments and national insurance payments) which was paid to the members of the Board of Directors and the Senior Management for their service or employment, as the case may be, during the year under review, was as follows:

All figures are disclosed in their US dollar equivalent, based on a NIS/USD exchange rate of 3.23.

#### Board of directors

Name	Function	Base Compensation and fringe benefits	Cash Bonus	Share options granted or exercised*	Total
Yariv Alroy	Active Chairman/non-executive member	244,282	-	791,242	1,035,524
Erez Alroy	Non-executive member	53,103	-	98,527	151,630
Erez Nachtomy**	Executive member	18,149	-	-	18,149
Elon Shalev	Former Non-executive member	23,545	-	-	23,545
Prof. Amir Lerman	Non-executive member	52,953	-	98,527	151,480
Yehoshua Abramovich	Non-executive member/Independent director	77,483	-	98,527	176,010
Dvora Kimhi	Non-executive member/Independent director	61,224	-	98,527	159,751
David Salton	Non-executive member/Independent director	24,653	-	170,232	194,885
Total for all Board members:		555,392	-	1,355,582	**1,910,974

\* Represents the fair value of the share options granted or exercised in the year under review.

\*\* Please see the table below related to the Senior Management SHL on the compensation Erez Nachtomy received in his function as CEO.

#### Senior Management SHL

Name	Function	Base Compensation and fringe benefits	Cash Bonus**	Share options granted or exercised*	Total
Erez Nachtomy***	CEO	343,521	99,065	-	442,586
Other members of the Senior Management		984,293	125,656	828,435	1,938,384
Total for all Members of Senior Management:		1,327,814	224,721	828,435	2,380,970

\* Represents the fair value of the share options granted or exercised.

\*\* Estimated amounts (for more information please refer to "Senior Management (Other than the CEO)" and "CEO" in this Section above). The actual payment of the cash bonus is subject to all applicable corporate approvals.

\*\*\* Please see the table above related to the Board of directors on the compensation Erez Nachtomy received in his function as board member

The highest total compensation payable to a member of the governing bodies in 2021 was to the former CFO, Mr. Yossi Vadnagra (see above). The Senior Management of SHL consisted of the CEO and two additional members and an additional three former members during the year under review.

Pursuant to the Israeli Companies Law, the Compensation Committee, the Board and the shareholders of SHL re-approved and confirmed the existing directors' and officers' insurance provided, and indemnification undertaking issued by, the Company in favor of all of its officers and directors (including controlling shareholders) and authorized the management of the Company to negotiate and execute, and to periodically renew and keep in force, for and on behalf of the Company, a liability insurance policy for all of the Company's directors and officers, as shall be in office from time to time, for a coverage of up to USD 15 million. Accordingly, the undertaking by SHL to indemnify all directors and officers, in office from time to time, to the extent and limitations set forth in the indemnification letters issued to such persons, in an aggregate sum of up to USD 15 million was re-confirmed. The entitlement to insurance, exemption and indemnification arrangements, as may be approved by the Company from time to time, is also set forth in the Compensation Policy.

The table and numbers above include compensation to former board members and former members of governing bodies in the year under review.

#### **Share Allotment in the Year under Review**

No Ordinary Shares of SHL were allotted to the executive or to the non-executive members of the Board, or to the management or parties closely linked to any such person during the year under review. For information on option allotments to directors and management members, please refer to the Section immediately following.

#### **Share Ownership as of December 31, 2021**

The number of Ordinary Shares held, pursuant to the Share Register, as of December 31, 2021, by the members of the Board and the Senior Management and parties closely linked to such

persons amounted in the aggregate to 2,522,311 Ordinary Shares. For information on options/RSUs allotted to the members of the Board and Senior Management, please refer to the table below.

Messrs. Yariv Alroy and Erez Alroy, current non-executive members of the Board, are both members of the Alroy Group. The Alroy Group held, as of December 31, 2021, an aggregate number of 2,507,608 Ordinary Shares. For information regarding the shareholding percentages of the Alroy Group, please refer to the Section titled "Significant Shareholders".



## Share Options

Information with regard to Options granted in the year under review and held pursuant to the 2021 Incentive Plan as of December 31, 2021 by the members of the Board of Directors and Senior Management, as well as parties closely linked to such persons, is as set forth below.

Name	Function	Share Options outstanding at December 31, 2021	Weighted Average exercise price in CHF	Granted during the year	Exercise price of options granted	Vested	Exercised
Yariv Alroy	Active Chairman	250,000	CHF 10.73	250,000	CHF 10.73	-	-
Erez Alroy	Non-executive member	18,000	CHF 17.02	18,000	CHF 17.02	-	-
Erez Nachtomy	Executive member, CEO	188,000	CHF 5.77	-	-	69,874	-
Elon Shalev	former Non-executive member	-	-	-	-	-	-
Prof. Amir Lerman	Non-executive member	36,000	CHF 11.88	18,000	CHF 17.02	18,000	-
Yehoshua Abramovich	Non-executive member/Independent director	36,000	CHF 12.03	18,000	CHF 17.02	18,000	-
Dvora Kimhi	Non-executive member/Independent director	36,000	CHF 12.36	18,000	CHF 17.02	18,000	-
David Salton	Non-executive member	36,000	CHF 14.55	36,000	CHF 14.55	-	-
Linus Drop	Managing Director SHL Telemedizin, Germany	50,000	CHF 10.73	50,000	CHF 10.73	-	-
Yossi Vadnagra	CFO	38,808	CHF 9.14	18,000	CHF 11.56	20,808	29,192
Yoni Dagan	former CTO	-	-	18,000	CHF 11.56	-	20,000
Ralf Bork	former Managing Director SHL Telemedizin, Germany	-	-	-	-	-	20,000

For additional information with respect to share option plans adopted by SHL and the grant of options to purchase Ordinary Shares, see Section 2.2 above.

## Additional Honorariums and Remuneration

None of the members of the Board and Senior Management or parties closely linked to such persons have billed honorariums or other remuneration in the financial year 2021 to SHL or to any of its subsidiaries for additional services performed during the year under review.

## Loans Granted to Governing Bodies

No guarantees, outstanding loans, advances or credits were granted during the year under review by SHL and its subsidiaries to executive members or non-executive members of the Board of Directors, Senior Management or parties closely linked to such persons.

## 6. Shareholder Participation

### 6.1 Voting Rights Restrictions, Representation Restrictions and Participation

There are currently no voting-rights and representation restrictions in place, except as set forth below. For voting rights of Ordinary Shares in general, please refer to Section 2.4 above. For the TOB Decision pursuant to which Mrs. Mengke Cai, Mr. Xiang Xu, Himalaya (Cayman Islands) TMT Fund, Himalaya Asset Management Ltd, and Kun Shen are obliged to make a public tender offer for all listed shares in SHL and the suspension of their voting rights until the publication of the tender offer, see Section 2.4.1, and Section “Swiss Takeover Board Proceeding” under “Changes in the Financial Year 2021” above.

The voting rights of the Ordinary Shares in general may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights if authorized in the future, such an authorization requires a majority of sixty-six (66) percent of the voting power present at the General Meeting pursuant to the Company's Articles of Association. The quorum required for any meeting of shareholders is at least two (2) shareholders present in person or by proxy who together hold or represent at least thirty-three and one third (33.1/3) percent of the voting rights. A meeting adjourned for lack of a quorum is adjourned to the same day in the following week at the same time and place or to any time and place as specified in the notice of such meeting or as the chairman may designate with the consent of a majority of the voting power present and voting on the question of adjournment. At the reconvened meeting, the required quorum consists of any two (2) shareholders present in person or by proxy, regardless of the number of Ordinary Shares represented.

Under SHL's Articles of Association all resolutions submitted to the shareholders, unless provided for otherwise in the Articles of Association or under any applicable law, shall be deemed adopted if approved by the holders of a simple majority of the voting power represented at the meeting in person or by proxy and voting thereon. For resolutions that require special majority, see Section “Statutory Quorums” below.

For the requirement of shareholders holding 5% or more of the Company's shares or voting rights to provide the Company with an address in Israel to receive documents see Section 2.4.2 above.

### 6.2 Statutory Quorums

Pursuant to the Company's Articles of Association, the following resolutions require a special majority of sixty-six (66) percent of the voting power represented at the shareholders meeting: (a) increase of authorized share capital; and (b) creation of shares with special rights or modifications of share rights. Furthermore, under Israeli law and under SHL's Articles of Association, a voluntary winding-up would require a majority of seventy-five (75) percent of the voting power represented at the shareholders meeting. For special majority requirements with respect to the adoption of the Company's Compensation Policy, please refer to Section 5.1 above, with respect to controlling shareholder transactions, please refer to Section 5.2 above, and with respect to the election of Independent (external) Directors to the Board of Directors, please refer to Section 3.1 above.

### 6.3 Convocation of the General Meeting of Shareholders

Under SHL's Articles of Association, an Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place either within or without the State of Israel as may be determined by the Board. All General Meetings other than Annual General Meetings are called “Special General Meetings”.

Pursuant to the Articles of Association of the Company and the Israeli Companies Law, the Board may, whenever it thinks fit, convene a Special General Meeting at such time and place, within or without the State of Israel, as may be determined by the Board. Special General Meetings may also be convened upon requisition of either of the following (a) two (2) directors, or one fourth of the directors in service; or (b) one or more shareholders, holding not less than 5% of the issued and outstanding share capital of the Company and not less than 1% of the voting rights in the Company; or one or more

shareholders holding not less than 5% of the voting rights of the Company. If a meeting shall be requisitioned as aforesaid, then the meeting shall be held not later than thirty-five (35) days from the time notice of such meeting is given to shareholders (unless otherwise required for a meeting at which matters may be voted on by ballot - see below).

Not less than twenty-one (21) days prior notice shall be given to any General Meeting and shall be published in one newspaper in Israel and in one newspaper in Switzerland or in accordance with the rules and regulations of the stock exchange on which SHL's shares are listed. As permitted under applicable law, as of January 2016, the Company no longer publishes the notices in the newspaper, nor does it mail hard copies to shareholders, and the material can be downloaded from its website, following ad hoc publications of the agenda of such meetings. Shareholders may vote on certain matters (such as the election or removal of directors or transactions between a company and any of its officers or controlling shareholders or in which such persons may have a personal interest) by submitting a written ballot with respect thereto (the "Ballot") (but may vote thereon in person or by proxy). In the event such matters are included in the agenda of a General Meeting then not less than thirty five (35) days' prior notice shall be given, unless to the Company's best knowledge, at the time of the resolution regarding convening of the meeting, a controlling shareholder of the company will hold, as of the record date, such number of votes which will enable the controlling shareholder to pass the required resolution, even if all other shareholders participate and vote against (i.e. in general more than 50% of the voting rights).

Pursuant to relevant regulations promulgated under the Israeli Companies Law, in the event that a topic on the agenda requires also approval by the Board, then the relevant newspaper and shareholder notices shall not be published or sent, as the case may be, later than ninety (90) days following such Board approval. Since 2016, as permitted under Israeli law, Company does not provide written notices to shareholders nor does it publish

invitations in newspapers and only publishes ad hoc publications in connection with general meetings as well as on its website.

Pursuant to regulations promulgated under the Israeli Companies Law, the notice of a general meeting in a public company must in addition include the type of meeting, place and time thereof, a summary of the resolutions proposed to be adopted, the majority required with respect thereto and the record date. A public company must also include the phone number and address of its registered office and the times at which the full version of the proposed resolutions may be reviewed. In the event the agenda includes matters which may be voted on by Ballot, then additional details are required to be included in the notice, including, inter alia, the deadline for submitting shareholder statements to the company and the deadline for submitting Ballots.

A proxy must be delivered to the registered office of SHL not later than 48 hours prior to the General Meeting. A Ballot must be delivered to the registered office of SHL not later than four (4) hours prior to the General Meeting. For the Ballot to become effective: (i) any shareholder whose shares are registered with the Company's registrar of shareholders must enclose a copy of such shareholder's identity card, passport or certificate of incorporation, as the case may be; and (ii) any shareholder whose shares are registered with Computershare must enclose a written confirmation from Computershare as to its ownership of the voting shares.

The aforementioned regulations also stipulate that any shareholder wishing to state his position with respect to any of the said matters on the agenda may do so by requesting the Company to deliver such position to the other shareholders (the "**Shareholder Statement**"). The Shareholder Statement must be delivered to the registered office of the Company not later than ten (10) days prior to the general meeting as such date is determined by the Board. A Shareholder Statement shall be delivered to all shareholders no later than one (1) day following receipt thereof. Should a company elect to state its position with respect to such Shareholder Statement, it shall deliver such position (the

“**Company Statement**”) to the shareholders, no later than five (5) days prior to the General Meeting. Any such Statement must be written in a clear and simple language and shall include no more than 500 words per subject matter. A Shareholder Statement shall detail the identity of such shareholder, as well as his percentage interest in the Company; a shareholder who is a corporate entity shall detail the identity of its controlling shareholder(s), as well as additional holdings (if any) of such controlling shareholder(s) in shares of the Company, to the best knowledge of the shareholder submitting the Shareholder Statement. A shareholder submitting the Shareholder Statement, who acts in consort with others with respect to voting in shareholder meetings, whether in general or with respect to certain matter(s) on the agenda, shall indicate so in the Shareholder Statement, and shall describe the aforementioned arrangements and the identity of the shareholders so acting in consort. Any shareholder (as well as any shareholder acting in consort with such shareholder) having a personal interest in any matter on the agenda, shall describe the nature of such personal interest. Any shareholder may revoke his/her/its Ballot by submitting a cancellation notice (the “**Cancellation Notice**”). The Cancellation Notice together with sufficient proof as to the identity of such canceling shareholder, to the absolute discretion of an officer of the Company, must be delivered to the registered office of the Company not later than twenty four (24) hours prior to the General Meeting. Any such shareholder submitting a Cancellation Notice may only vote by attending the General Meeting in person or by proxy. One or more shareholders holding, at the Record Date, shares representing five (5) percent or more of the total voting power in the Company, as well as any holder of such percentage out of the total voting power not held by the controlling shareholder(s), as such term is defined under Section 268 of the Israeli Companies Law, may, following the General Meeting, in person or by proxy, inspect the Ballots and the record thereof at the Company’s registered office. The competent court may, at the request of any shareholder who does not hold, at the Record Date, the aforementioned percentage, instruct

the Company to allow the inspection of said documents and records, in whole or in part, on terms and conditions determined by the court.

#### 6.4 Agenda

Pursuant to the Israeli Companies Law, the agenda at a General Meeting shall be determined by the Board.

Pursuant to the Israeli Companies Law, any one or more shareholders holding at least one (1) percent of the voting rights in the Company may request the directors to include a certain topic in the agenda of the general meeting, provided that such topic is suitable to be discussed at a general meeting. Pursuant to regulations promulgated under the Israeli Companies Law, (i) with respect to general meetings which include topics which may be voted on by Ballot (see above), such shareholder request needs to be submitted not later than seven (7) days from convening of the shareholder meeting; and (ii) with respect to other general meetings, such request needs to be submitted not later than three (3) days from convening of the shareholder meeting. In the event that the Board deems a suggested topic fit for inclusion in the agenda of the general meeting, the Company shall prepare an updated agenda and shall publish such agenda (both by newspaper notice and by notice to shareholders) not later than seven (7) days after the last date on which requests for amendments to the meeting agenda could have been submitted. The foregoing does not apply in the event the Company publishes a preliminary notice of its intention to convene a general meeting, such preliminary notice to be published by shareholder notice at least twenty- one (21) days prior to the publication of the actual notice of the general meeting. In such preliminary notice, the Company shall describe the expected agenda topics and shall notify shareholders that Company shall be entitled not to examine any requests of shareholders to include additional topics on the agenda in the event such were received later than fourteen (14) days from the publication of the preliminary notice of the general meeting.

At a General Meeting, resolutions may be adopted only on subjects that were specified in the agenda for the particular General Meeting.

## 6.5 Registration in the Share Register with Computershare

To be able to participate in a general meeting of the shareholders and vote the Shares, a shareholder must be registered with Computershare Schweiz AG, by the record date set by the Board of Directors in its resolution to convene a general meeting of the shareholders. Such record date shall not, pursuant to regulations promulgated under the Israeli Companies Law, be earlier than forty (40) days prior the date of the General Meeting and not later than four (4) days prior to the date of such General Meeting (provided that with respect to General Meetings the agenda of which includes topics which may be voted on by Ballot (see above), such date shall be not later than twenty-eight (28) days prior to the General Meeting), or different periods as shall be permitted by applicable law. A determination of shareholders of record with respect to a General Meeting shall apply to any adjournment of such meeting. Confirmations regarding share registration can be obtained from Computershare Schweiz AG. To be registered with Computershare Schweiz AG, a shareholder should request her or his custody bank to submit the respective request to Computershare Schweiz AG through a SIX SIS Ltd. member institution.

Of 33⅓ % of the voting rights - regardless of whether this person can actually exercise those voting rights - is obliged to make a public takeover offer for all of the listed shares of such company. The acquirer must therefore make an offer to purchase or exchange securities in the company. For Details about the TOB proceeding regarding the pending tender offer obligation of certain shareholders of the Company see Section "Swiss Takeover Board Proceeding" under "Changes in the Financial Year 2021" above. To the understanding of the Company, it is exempt from Israeli law provisions relating to special tender offers, but certain tender offer rules with respect to full tender offers under the Israeli Companies Law apply to it. These include that, if as result of an acquisition of shares an acquirer will hold more than ninety (90) percent of a company's shares, the acquisition must be made by means of a tender offer for all of

the shares. Furthermore, pursuant to the Israeli Companies Law all of the shares of the minority shareholders will be transferred to the offeror in the event that either (a) such number of shares are tendered to the offeror so that more than ninety-eight (98) percent of the outstanding shares are held by it; or (b) such number of shares are tendered to the offeror so that less than five (5) percent of the outstanding shares did not accept the offer and more than half of the shareholders that do not have a personal interest in the acceptance of the purchase offer tendered their shares.

SHL's Articles of Association do not contain provisions regarding opting out or opting up.

## 6.6 Clauses on Changes of Control

There are no clauses on changes of control in agreements and plans benefiting members of the Board of Directors and/or members of the Management and/or other members of SHL's cadre, except under the Compensation Policy with respect to possible acceleration of options and retirement grant to the CEO in case of termination of employment by either party within six (6) months as of such event. (For further details see Section 5.1 above).

## 7. Auditors

### 7.1 Duration of the Mandate and Term of Office of the Head Auditor

Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global are the auditors of SHL since 1997. Under the Israeli Companies Law and the Articles of Association, the auditors of SHL are appointed by resolution of the Annual General Meeting and serve until their re-election, removal or replacement by subsequent shareholder resolution. SHL's auditors were last re-appointed at the 2021 Annual General Meeting. Mr. Ofer Ben-Ezra (CPA) replaced Mr. Itay Bar-Haim, as the head auditor from the 2020 audit following the auditor mandatory rotation rule pursuant to which the audit partner conducting the audit must be replaced every five (5) years.

### 7.2 Auditing Honorariums and Additional Honorariums

Ernst & Young charged in the financial year 2021 approximately USD 195 for services rendered in



connection with auditing the financial statements of SHL and its subsidiaries and the consolidated financial statements of the SHL Group.

### 7.3 Additional Honorariums

In addition, Ernst & Young charged approximately USD 270 for additional services performed for the SHL Group in the field of tax advice and general advisory services. The aforesaid sums include payments made to other member firms of Ernst & Young outside of Israel.

### 7.4 Supervisory and Control Instruments vis-a-vis the External Auditors

Pursuant to the Israeli Companies Law, the external auditors of the Company shall be independent, both directly and indirectly, from the Company. In the event that the Board of Directors becomes aware of any connection between the external auditors and the Company which constitutes a dependency, the Board shall instruct the auditors to immediately cease such connection. If the auditors do not adhere to this instruction, the Board shall call for a special general meeting of shareholders, within a reasonable time, in order to remove the auditors.

The Company may not condition the compensation of the external auditor in a way that may limit the performance of the audit or that links between the compensation and the outcome of the audit.

The external auditor may at any time review such Company documents which it requires to perform its tasks, and to receive explanations with respect thereto. The auditor is entitled to participate in all annual meetings at which the financial statements audited by auditor are presented, and at all board meetings and FS committee meetings with respect to discussion and approval of such financial statements.

The external auditor reports to the Board in the meetings of the Board in which the external auditor participates.

If the auditor becomes aware of a material flaw in the financial controls of the Company, it must report such flaw to the Chairman of the Board. The external auditor participates in meetings of the Board and the FS Committee at which the annual and interim financial

statements of the Company are discussed. The annual audit plan pursuant to which the external auditor conducts the audit is subject to the Audit Committee's prior approval. Prior to each annual audit, the external auditor distributes a questionnaire to be filled by the Company, assessing the independence of such external auditor with respect to the Company. The Audit Committee also assesses the independence of the external auditor based on the abovementioned questionnaire prior to each annual audit. The remuneration of the external auditor is determined by the Board of Directors of the Company, once a year, based on the management's recommendations. The performance of the external auditor is being assessed by the CFO of the Company based on continuous contact and interactions with the external auditor, and the CFO reports to the Financial Statements Committee and the Board of Directors.

During the year under review, the Board has held three (3) meetings with the Company's external auditor as part of the authorization of the Annual and Interim Financial Statements. The FS Committee has held four (4) meetings at which the Company's external auditor was present as part of the discussion of the annual and interim financial statements, and the Audit Committee has held one (1) meeting at which the Company's external auditor was present as part of the discussion with respect to the annual audit.

## 8. Information Policy

SHL is committed to a policy of open and effective communications with customers, partners, shareholders and staff alike (within constraints imposed by confidentiality obligations and applicable law). SHL's investor relations program features regular publication of relevant information for the benefit of the public and the capital markets. The actual share price, press releases and presentations are also available on the website. SHL maintains three (3) websites offering up-to-date corporate and product information: [www.shl-telemedicine.com](http://www.shl-telemedicine.com) and [www.shahal.co.il](http://www.shahal.co.il) and [www.smartheartpro.com](http://www.smartheartpro.com).

SHL informs interested parties through a variety of corporate publications including annual

and half-yearly reports, which can be ordered or downloaded from [www.shl-telemedicine.com](http://www.shl-telemedicine.com). These reports feature operational reviews as well as consolidated balance sheets, profit & loss statements and cash flow statements as of December 31 and June 30 respectively. The annual report includes a corporate governance report as required under the SIX Listing Rules. The Company does currently not intend to publish quarterly financial statements. In addition, SHL conducts regular communication briefings with media representatives and financial analysts.

SHL publishes price-sensitive information as required by the SIX Listing Rules. The Company's ad-hoc reports and press releases may be retrieved at <https://www.shl-telemedicine.com/news/>. Persons that wish to be included in the Company's distribution list with respect to ad hoc notices may do so at [www.shl-telemedicine.com/about-us/investorrelations/ir-contact/](http://www.shl-telemedicine.com/about-us/investorrelations/ir-contact/).

Official notices concerning the listing of shares required under the SIX Listing Rules will be published in electronic form on the website of the SIX (currently [www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/](http://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/)).

The Company may send notices to shareholders who are registered in the share register of the Company, Computershare Schweiz AG. According to the Articles of Association, each shareholder holding 5% or more of the Shares or voting rights and each member of the Board of Directors of the Company is obliged to provide the Company with an address in Israel for the receiving of documents (including judicial documents). As long as such address has not been provided, the Company's registered office will be considered as the Shareholder's and/or director's address for the receiving of documents (including judicial documents).

#### **Insider Trading Policy and Closed Periods**

SHL maintains an insider trading and management transactions disclosure policy (the "Insider Trading Policy"), last approved in April 2016. The Insider Trading Policy provisions are applicable to members of the Board, officers, employees, representatives and consultants of the Company, as well as the immediate family members and household members of such persons, in addition

to any other person which may receive non-public information with respect to the Company (each being an "Insider") which may have a material impact on SHL's share price ("Insider Information"). Amongst others, the Insider Trading Policy forbids trading in SHL's securities by the aforementioned persons while in possession of Insider Information. Insiders shall refrain from trading in SHL securities up until 24 hours have passed from the issuing of a press release containing Insider Information, but no sooner than the next trading day of the SIX Swiss Exchange.

According to SHL's Insider Trading Policy, certain insiders (board members, CEO, CFO, CTO, all vice presidents (other executive officers that are subject to the CEO), all members of management of SHL Israel and SHL Germany, IR staff, Chief Medical Advisor and controllers) may not trade in SHL securities from the close of trading on the day that is three weeks prior to the expected date of the publication of the quarterly or half-yearly financial reports or four weeks prior to the expected date of the publication of the annual financial reports, until 24 hours after SHL's financial results have been released to the press, but no sooner than the next trading day of the SIX Swiss Exchange.

The CEO or the CFO may impose additional closed periods for all Insiders. During such Closed Periods, no Insider may trade in any SHL securities. Furthermore, the Insider Trading Policy requires members of the Board and members of Senior Management to report to the CFO transactions in SHL securities executed by themselves or by certain related parties no later than on the second trading day following the transactions. The CFO has to file such Disclosure Report with the SIX Swiss Exchange within three (3) trading days upon receiving the Disclosure Report.

**Investor's calendar**

Annual General Meeting	December 22, 2022
Half Year 2021 Report	September 22, 2022

**Contact person for Investor Relations**

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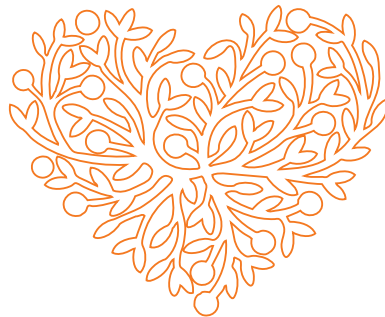
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