GLASS LEWIS

COMPENSATION APPENDIX - ISRAEL

APPENDIX A

GENERAL CONSIDERATIONS & MARKET PRACTICE

MARKET BACKGROUND

Under Amendment No. 20 to the Israel Companies Law which came into effect in December 2012, public companies, such as the Company, must adopt a compensation policy with respect to the terms of service and employment of their directors and officers (the "Compensation Policy"). The compensation policy must be approved by: (i) the board upon the recommendation of the compensation committee; and (ii) the shareholders of the Company. The compensation policy be reviewed and re-approved every three years. To pass, a majority of minority/disinterested shareholders must vote in favor of the policy.

If the requisite majority of shareholders for a company's proposed policy is not obtained, the Companies Law entitles the board to adopt a rejected policy anyway if it reconvenes to discuss the policy and, after receiving the compensation committee's recommendation on the matter, resolves that the adoption of a compensation policy or CEO compensation agreement is warranted and in the Company's best interests, and discloses the rationale for such decision publicly.

Amendment No. 20 provides that the compensation policy shall be based, among other things, on promoting the company's objectives, its business plan and long-term policy and creating appropriate incentives for the company's officers, considering, among other things, the company's size, scope of its operations and risk management policy.

Compensation policies generally give treatment to both short-term and long-term and/or equity-based compensation elements and must be reviewed by the Company's compensation committee and board in order to ensure its adequacy and its applicability to the Company's financial position and results of operation. Our policies with regard to compensation analysis do not deviate substantially from the principles discussed in our Israel Guidelines.

COMPENSATION FEATURES: STRUCTURE, SAFEGUARDS AND DISCLOSURE

When analysing a Company's compensation policies and practices, we will routinely draw attention to the following examples of structural, safeguarding and disclosure inadequacies:

BENCHMARKING

No benchmark used for pay-setting

We believe that companies benefit from benchmarking overall executive pay levels and structure against a peer group of comparable companies. The absence of a comparison with peers may lead to compensation payouts which exceed reasonable market levels.

Benchmark used for pay-setting not disclosed

We expect companies to disclose the identity of the peer group against which they benchmark executive compensation. Lacking such disclosure, shareholders are unable to determine if executive compensation

levels are benchmarked against an appropriate set of peers, which may increase the likelihood that compensation levels do not accurately reflect a company's size and scope.

Peer group for relative performance metric not disclosed

We believe shareholders benefit when the identity of the comparative group of companies used under the long-term incentive plan to assess the performance of the relative metric/s utilised is disclosed. Without such information, it is not possible for shareholders to fully evaluate the plan and its efficacy.

FIXED PAY

Unexplained significant increase/s in base salary

Glass Lewis views high fixed pay raises with scepticism, as such payments are not directly linked to performance and may serve as a crutch when performance has fallen below expectations. Further, we note that a large increase in base salary has a compounding effect on the amount of short- and long-term incentives granted to an executive, since such awards are often granted as a fixed percentage of base salary. At a minimum, we expect the board to provide a thorough and convincing explanation for significant increases in executives' base pay.

INCENTIVE PLANS

SHORT-TERM INCENTIVES

No annual bonus deferral

We generally prefer that a specified percentage of annual bonuses, typically ranging from 25% to 50%, be deferred for a period of two to three years. In our opinion, such a provision encourage***s*** executives to be mindful of the potential consequences of their operational and strategic decisions and discourages risky or short-sighted strategies.

Shareholders should note that currently only a minority of Israeli issuers include deferral provisions under their STI plans. Nonetheless, in the absence of a distinct LTI / equity-based plan conditioning pay over a longer timeframe, the inclusion/absence of deferral provisions assumes greater importance in our review of a company's overall compensation practices.

LONG-TERM INCENTIVES

No long-term incentive plan

While what constitutes an appropriate balance between short- and long-term components will vary from company to company, we believe the use of a plan tying a portion of executive pay to long-term performance is generally desirable, in order to improve alignment with shareholder interests and market best practices.

Shareholders should note that it remains common for Israeli issuers not to include an LTI / equity-based plan under their compensation structure, particularly for those companies with a significant long-term dominant shareholder.

No Performance-Based Equity Awards

It is not unusual for TASE issuers to disclose limited or no information about the use of performance-based equity awards as a requirement under their compensation policies. We believe shareholders benefit when equity or long-term incentive awards vest on the basis of metrics with pre-established goals and are thus demonstrably linked to the performance of the Company, aligning the long-term interests of management with those of shareholders.

We note that tying equity awards to performance is rare among Israeli companies, while stock options are generally the most commonly employed instrument. We will generally be more critical of companies that issue full-value equity awards without performance conditions compared to those that issue stock options with an exercise price set to fair market value at grant date.

Performance period shorter than three years

In accordance with international best practice, a minimum performance period of three years for long-term incentive plans should be utilised unless a cogent justification of a shorter performance period is disclosed.

PAYOUT LIMITS

No set payout limits

We believe that the absence of set payout limits runs contrary to best practices and shareholder interests, as management may receive compensation that goes beyond what shareholders would consider reasonable. Disclosed individual caps on all short- and long-term incentive plans are necessary to assure shareholders that executive pay will always be constrained by agreed, pre-defined limits.

Payout limits not disclosed

When a company states that short- and/or long-term incentive awards are subject to pre-defined payout limits, we expect said limits to be disclosed. We believe disclosed individual caps on all short- and long-term incentive plans are necessary to assure shareholders that executive pay will always be constrained by the agreed caps.

Payout limits set as a percentage of target payouts only

While we recognise the value of setting maximum payouts relative to a target, we would prefer that such target payout be disclosed. Without any correlation to base salary or a quantifiable monetary amount, shareholders are not able to determine whether compensation is reasonably constrained by the board. As a result of the discretionary nature of such bonus targets and caps, we believe management may receive excessive compensation that is not strictly tied to company performance.

METRICS

Vesting based on a single, absolute performance metric

We believe measuring a company's performance with multiple metrics serves to provide a more complete picture of a company's performance than a single metric and that this compensation strategy may focus too much management attention on a single target. Further, in Glass Lewis' view, the use of an absolute (rather than relative) performance condition as the sole metric of a long-term incentive plan is inappropriate, as it may largely reflect economic factors beyond the control of executives, rather than their own individual performance. Glass Lewis believes that long-term incentive plans which are based on single metrics should only include relative measures.

Vesting based on a single, relative performance metric

We believe measuring a company's performance with multiple metrics serves to provide a more complete picture of the Company's performance than a single metric and that this compensation strategy may focus too much management attention on a single target.

No metric measuring performance relative to peers

In our view, the lack of any relative performance conditions in a company's incentive structure is inappropriate, as absolute performance conditions may primarily reflect market movements rather than executive and company performance. We believe that a portion of short- or long-term incentives should be based on relative measures.

Performance metrics not disclosed/disclosed as broad categories/disclosed as list of examples
We strongly believe that all companies should at the very least provide a basic explanation of how award amounts are determined under their ongoing annual/multi-year incentive plans, along with the difficulty of achieving performance targets. Without such disclosure, shareholders are unable to evaluate the extent to which a company aligns annual executive compensation with its performance.

Relative weight of performance metrics not disclosed
We expect companies to provide a clear description of the relative weightings attributed to each one of the metrics utilised under their short- and long-term incentive plans. We believe clearly defined weighting of metrics is essential for shareholders to fully understand and evaluate a company's procedures for quantifying performance into payouts for its executives.

Performance targets not disclosed
We recognise that specific targets may be commercially sensitive and that a company may desire to limit such disclosure, in order to safeguard its competitive position. However, we believe shareholders can reasonably expect retrospective disclosure of the targets when they are no longer commercially sensitive, as well as some explanation of actual performance in relation to the target structure and payout levels. Without such disclosure, shareholders are unable to evaluate the extent to which a company strives to align executive compensation with performance.

Here shareholders should note that, while disclosure of targets has been gradually improving in recent years, it remains uncommon for Israeli issuers to clearly disclose performance targets, particularly those set for annual bonus plans, in advance of the performance cycle. We would generally expect, at a minimum, to see retrospective disclosure of performance targets and NEO achievement for the preceding financial year in a company’s annual report.

RECOVERY PROVISIONS

Awards not subject to clawback or malus provisions
Recovery provisions, such as clawback or malus, allow for companies to recoup or adjust an award under certain circumstances, including in the event of material fraud or misconduct by the recipient. We note that market best practice has come to promote the use of recovery provisions to safeguard against the receipt of unwarranted awards and to similarly encourage executives and senior management to take a more comprehensive view of risk when making business decisions.

EQUITY PARTICIPATION

No executive share ownership guidelines
We generally believe that share ownership goals for executive directors to achieve (typically between 100% and 250% of base salary) within a set time frame improves alignment between executive and shareholder interests.

DISCRETIONARY AWARDS

Authority to award discretionary bonuses
We believe that excessive or unlimited authority by the board or compensation committee to grant awards outside incentive plans runs against bets practice. It is Glass Lewis' view that such unlimited

discretion has the potential to dampen or negate any benefits a company may derive from its otherwise objective and formula-based incentive plans. As such, we believe it is generally in shareholders' best interests to more strictly limit or eliminate this authority.

In addition, under amended Israeli law, the annual bonuses of NEOs apart from the CEO may be based entirely on a non-measurable (discretionary) performance evaluation by the CEO/board. We believe shareholders should be concerned where management would maintain the right to grant annual bonuses to officers who report to the CEO based purely on the CEO's evaluation and not on any quantitative measures of performance. While we recognize that this change to the compensation policy is in line with the provisions of the Companies Law, which was amended to allow for such discretion, the law does not require such a change, which we believe is not in shareholders' best interest.

LIABILITY INSURANCE, INDEMNIFICATION AND EXEMPTION

Under Israeli law, a company may enter into a contract to indemnify a director or officer of a company for debts or expenses imposed upon him/her pursuant to being a director or an officer if such a provision is provided in the company's articles of association.[1] In certain cases, shareholder approval is required not only for these article amendments but also for granting indemnification agreements or purchasing liability insurance plans.

While we strongly believe that directors and officers should be held to the highest standard when carrying out their duties to shareholders, some protection from liability is reasonable for directors and officers. As such, we find it reasonable for a company to enter into indemnification agreements with its directors and officers and/ or to purchase liability insurance so long as the terms of such agreements are reasonable.

We note that, under the Companies Law as well as its Securities Law, directors and officers will continue to be held accountable in the case of: (i) a breach of fiduciary duty, unless the director or officer acted in good faith and had reasonable grounds to assume that the act would not cause the company harm; (ii) a breach of a duty of care committed intentionally or recklessly; (iii) acts done with the intent to make unlawful personal profit; (iv) a fine or forfeit imposed; and (v) any financial sanction, with the exception of payment to another party, or related to a legal proceeding with such party, involved in certain violations specified in the Israeli Securities law for amount of up to 20% of the sanction and as long as a provision stipulating this allowance is included in a company's articles of association.[2]

Specifically, the list of aforementioned violations imposed by an Israeli Securities Authority panel which may be partially indemnified, includes, but is not limited to, the following: (i) failure to make available or send to shareholders, if requested, a document regarding either a transaction with the controlling shareholder or the allotment of securities in a listed company which were not offered to the public; (ii) the inclusion or omission of an item in the publication of a notice or in any other report which would mislead a reasonable investor; (iii) sharing insider information with a person who the director or officer should have known would make use of insider information received; and (iv) offering securities to the public in a manner not authorized by the Israeli Securities Authority.

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[1] Article 260, Companies Law.

[2] Article 52QQ(a) and Seventh Schedule, Securities Law.

Although the extension of partial indemnification for the aforementioned list of violations is permitted by the Israeli Securities Law, if included in a company's articles of association, companies are not required to indemnify directors or officers for these violations.

While Glass Lewis believes that shareholders should not be involved in the approval and negotiation of individual liability insurance policies and that such matters should be left to the board, when the transaction requires shareholder approval and the policy does not extend beyond the legal boundaries discussed above, we will generally recommend supporting the proposal.

Although we generally recommend supporting liability and indemnification proposals, in accordance with best practice in Israel, in the event a company proposes to indemnify its directors/officers for an amount that exceeds 25% of the company's equity, we will oppose such proposals. Where the details of the proposed liability or indemnification proposal have not been provided, we will recommend that shareholders abstain from voting on the proposal. Finally, we recommend that shareholders vote against proposals to exempt directors or officers from liability for any reason.

APPENDIX B

COMPENSATION POLICIES OF INSTITUTIONAL ENTITIES

MARKET BACKGROUND

As well as abiding by provisions laid out under Amendment 20 to the Israel Companies Law, as described above, Israeli public companies operating in the financial sector and those classified as institutional entities must comply with stricter requirements relating to executive compensation as laid out by the regulatory bodies overseeing companies in the financial sector. Specifically, these regulatory bodies are the Bank of Israel, for banking corporations, and the Commissioner on the Capital Market, for "institutional entities", such as insurance companies and pension funds.

SALARY CAP LAW

On April 12, 2016, the Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect to Exceptional Compensation), 2016 ("the Compensation Law") came into effect. The law applies to companies in the financial sector as noted above.

The law effects a "soft" cap of NIS 2.5 million (approximately US$700,000 depending on representative exchange rates) on the annual salaries of executives. Any amount paid in excess of that sum will be ineligible for deduction for income and corporation tax purposes, and would require the approval of the company's compensation committee, board and shareholders. Furthermore, Section 2(b) of the Compensation Law specifies that salaries must not exceed a "hard" cap equalling 35 times the salary of the lowest paid worker in the company, including contractual workers.

In light of these restrictions, many affected financial institutions are setting the compensation of their top executives to be comprised only of fixed compensation that is not performance-based. As of 2019, most affected companies have been paying their highest-paid NEOs total compensation of NIS 3.5 million (approximately $997,000) and shouldering the additional cost arising from non-deductible expenses.

Glass Lewis Policy

Bearing in mind the competitive disadvantage that the Compensation Law might place on Israeli financial institutions compared to international peers, we will generally recommend that shareholders defer to management's judgement regarding employment agreements that are crafted in line with the restrictions of the new law.

Nonetheless, we believe shareholders should carefully scrutinize any agreements which impose additional or unnecessary costs on a company. Where a company expects to pay increased tax on any excess expenditure caused by exceeding the NIS 2.5 million salary cap, we believe companies should fully disclose the actual cost of employment of their highest earners, including full disclosure of all tax penalties associated with executive compensation packages.

ADDITIONAL REGULATORY REQUIREMENTS

In addition, Israeli banks' compensation policies must comply with the requirements laid out in the Companies Law, with the following additional requirements[3]:

i. Variable compensation must be 100% based on the achievement of pre-determined goals. Up to 25% of annual base salary may be awarded based on pre-determined but subjective (discretionary) criteria.[4]
ii. Generally, variable compensation may not exceed 100% of fixed compensation.[5]
iii. At least 50% of all variable compensation for each calendar year, including retirement bonus, must be deferred for at least three years. This does not apply where such variable pay is less than 40% of the fixed of that year's fixed compensation, but it does apply where the executive's *total* compensation would exceed the soft cap of NIS 2.5 million under the Salary Cap Law described above.[6]
iv. Termination shall not trigger accelerated payment of deferrals.
v. At least 50% of the variable compensation awarded to an executive for a given year must consist of shares and/or share-based instruments that vest over multiple years based on performance conditions.
vi. There must be a provision for the clawback/recoupment in exceptional circumstances of variable compensation, effective for a period of five years following the grant date.[7]
vii. All directors, including chairs, may receive fixed compensation only, which must be determined in relation to the fixed compensation of external directors.

Regarding "institutional entities", such as pension funds and insurance companies, the Commissioner for the capital market, insurance, and savings periodically publishes regulations that put out additional requirements to which institutional entities must adhere when formulating their compensation policies, beyond the requirements applicable to all public companies under Amendment 20 of the Companies Law.

[3] Updates to 301A of the Proper Conduct of Banking Business, Circular, November 13, 2018.
[4] The only exception to this rule is the grant of a signing bonus in an employee's first year.
[5] However, in certain circumstances, banks may set variable compensation equal to up to 200% if they provide a rationale and submit the proposal for approval by shareholders.
[6] If total compensation awarded for a given year would exceed the Salary Cap of NIS 2.5 million but the size of the variable compensation would be less than 1/6 of the fixed compensation, no deferral is required.
[7] Clawback period for a variable component paid out to an officer as defined in Companies Law, shall be extended by two further years, if in the course of the clawback period the following circumstances materialize: (1) an investigation (internal or external) is opened; (2) the banking corporation is convinced that the investigation will find that the criteria warranting a clawback is met; and (3) a designated and authorized organ within the corporation determines that the necessary clawback criteria exists.

The variable compensation of a "central position holder" [8] (hereafter, "officer"), other than bonuses that apply only in the first year of employment such as signing bonuses, must be tied to pre-established criteria and be bound by the following[9]:

i. More than 50% of variable compensation must be granted based on measurable, financial, market, and accounting performance indicators. Nonetheless, an "insignificant portion" of variable compensation, not to exceed 25% of annual base salary may be awarded based on pre-determined but subjective (discretionary) criteria.
ii. The pre-determined criteria must include goals related to the unit in which the officer is employed and the company as a whole, including the savings under its control.
iii. There must be a provision for the clawback / recoupment in exceptional circumstances of variable compensation, effective for a period of five years following the grant date.[10]
iv. All directors, including chairs, may receive fixed compensation only, which must be determined in relation to the fixed compensation of external directors. For all, except the chairs, this must be identical to the compensation of external directors. The chairs shall be determined according to a multiplier ratio (pegged to external directors' compensation) set by the Compensation Committee, and chairs may also receive benefits and associated expenses, similar to those paid to other office holders.
v. At least 50% of an officer's variable compensation for each calendar must be deferred and its grant must be spread out evenly over at least three years. This does not apply where such variable pay is less than 40% of the fixed of that year's fixed compensation, but it does apply where the executive's *total* compensation would exceed the soft cap of NIS 2.5 million under the Salary Cap Law described above.
vi. The proportion of variable compensation that must be deferred must increase with seniority, the more the officer's work bears on the risk profile of the institutional entity or the financial savings it manages, and the larger the weight and amount of the officer's variable compensation.
vii. End of employment must not accelerate the payment of deferred variable compensation.

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[8] A central position holder at an institutional entity is defined as someone whose actions tend to have a material influence on the risk profile of the entity or the financial savings under its control. This designation includes the CEO and those who report to the CEO, as well as one who earned more than NIS 1.5 million each of the past two years or anyone who is involved in managing the investments of the entity or the financial savings under its control. In addition, others whose aggregate variable income may expose the entity or the financial savings under its control to significant risk should also be given this designation, unless (i) the employee's terms are fully governed by a collective agreement, (ii) the employee's compensation includes fixed compensation of no more than NIS 0.5 million per year and no variable compensation that is beyond what the majority of the company's employees receive, or (iii) the employee's variable compensation does not exceed 1/6 of the employee's fixed compensation each year and the employee's total compensation each of the previous two years equalled no more than NIS 0.5 million per year.

[9] As of most recent circular issued by the Commissioner on July 11, 2019.

[10] Nevertheless, the clawback period for a variable component paid out to an officer as defined in the Companies Law, shall be lengthened by two further years, if in the course of the clawback period the compensation committee determines that the circumstances warrant seeking a clawback, described as follows: (1) The institutional entity opened an internal enquiry regarding a fundamental failing; (2) If it comes to the attention of the institutional entity that a certified authority, including such an authority located outside of Israel, opens an administrative enquiry or a criminal investigation against the institutional entity or officers thereof.

Variable compensation of an officer may not exceed 100% of the officer's fixed compensation in a given year. Nonetheless, the variable compensation of an officer other than the CEO or the chair may exceed 100% and reach up to 200% of fixed compensation if the company's compensation committee and board decide that extraordinary circumstances[11] warrant doing so. The value at the time of grant of any equity-based compensation granted to an officer also counts against the amount of variable compensation allowable.

In addition, a ceiling must be placed on the value of equity-based compensation that may be realized at the time of exercise. Should the institutional entity tie a portion of an employee's variable compensation to outcomes related to management of the company's investments or the financial savings under its control, the performance period related to these goals must be at least three years.

When granting equity-based compensation, the grants must vest linearly over a period of at least three years and must be tied to performance during this period.

An institutional entity's compensation policy must forbid officers from creating private hedging arrangements meant to counteract the measures the company undertakes in trying to limit the risk to the company associated with its variable compensation policies.

Retirement grants[12] paid to the CEO and officers who report to the CEO are considered variable compensation and are subject to all the rules detailed above for variable compensation, including dependence on performance criteria and deferral over at least three years. Nonetheless, if the retirement grant does not exceed three months of fixed compensation, no deferral is required.

Glass Lewis Policy

Considering that the aforementioned requirements, while very specific in comparison with other regulatory regimes, are generally designed to restrict the amount of variable pay that may be paid based on non-measurable criteria as well as provide other safeguards such as requiring clawback provisions and prohibiting directors from receiving variable compensation, we do not at this time apply additional voting policies to institutional entities that comply with regulatory requirements.

[11] Extraordinary circumstances are defined as those related to a one-time business event that does not recur every year and those that do not apply to a large category of officers.

[12] Retirement grants include any payment made at the end of employment beyond the standard end-of-employment payments given to all employees of the institutional entity.

APPENDIX C

DIRECTOR COMPENSATION

MARKET BACKGROUND

Companies often set the compensation of their directors other than the chair to be equal to that of their external directors. The Companies Regulations (Rules Regarding Compensation and Expenses of an External Directors), 5760-2000, provides companies two options on the cash compensation payable to external directors:

Option 1: A fixed amount

According to this option, the range of cash compensation that a company may pay its external directors is slotted according to the company's equity, as it appears in its audited financial statements for the previous year. For a company that is considered an institutional entity, the cash compensation is slotted based on the company's equity plus the value of the assets the company manages on behalf of others. The acceptable ranges are adjusted semi-annually to account for changes in the consumer price index. The annual and per-meeting compensation of each "expert external director"[13] must be identical, and the annual and per-meeting compensation of each external director not classified as an expert must be identical.

The Companies Regulations breaks down all companies into five levels based on their equity[14] and presents an acceptable range for annual compensation for each level. Between the minimum and maximum amount for each level, a so-called "set amount" also is presented. For example, for Israel's largest companies, those whose equity exceeds approximately NIS 1.16 billion, the minimum annual compensation for an external director is currently NIS 67,810, the maximum is NIS 110,235, and the set amount is NIS 89,025. For expert external directors, however, the maximum is NIS 147,095. Compensating external directors between the minimum and the set amount requires shareholder approval, while compensating external directors between the set amount and the maximum does not.

Companies also are required to pay an external director a fee for each meeting attended. For Israel's largest companies, the minimum per-meeting fee is currently NIS 2,390, the maximum is NIS 4,240, and the set amount is NIS 3,315. For expert external directors, however, the maximum is NIS 5,655. If the director participates in a meeting remotely, the company must pay the external director 60% of the standard fee, and if the board makes a decision without meeting, when all directors who would have the right to vote on the matter have agreed to make the decision without meeting, the company must pay the external director 50% of the standard fee. Note that at companies listed on foreign exchanges,

[13] The law defines an expert external director as someone who (i) brings accounting and financial expertise, or (ii) has education, experience, and skills that give the director a high level of skill and a deep understanding in the area of the company's main line of business. The determination of this expertise is carried out by the board, after the director has provided supporting documentation.

[14] For companies that are considered institutional entities, the amount of the company's total assets plus all the assets the company manages is used instead of the company's equity alone (the circular from the commissioner on the capital market, insurance, and savings titled "Compensation of External Directors at Institutional Entities," published March 9, 2009).

under which external directors have additional obligations due to their being classified as independent, the maximum annual and per-meetings are slightly higher (Companies Regulations (Leniencies for Companies Whose Shares are Listed for Trade on an Exchange Outside of Israel, 5760-2000).

These fees are meant to cover all expenses an external director may incur that are tied to the director's participation in meetings held in the director's geographical area. If the director participates in a meeting outside of the director's area, the company must reimburse expenses directly tied to participation in the meeting. The company may also pay for an external director's continuing education, as well as for the director to obtain expert advice on the company's account, if such advice has been approved by the board or the court.

Option 2: Relative compensation

In lieu of Option 1, a company may choose relative compensation by compensating its external directors relative to its other directors. In this case, "other directors" refers to directors who are none of the following: external directors; controlling shareholders; directors who regularly provide additional services to the company, to its controlling shareholder, or to a company controlled by its controlling shareholder; and directors who receive no cash compensation from the company.

According to this option, external director fees may be set at no less than the legal minimum amount for external directors mentioned above and no less than the amount the other directors receive. The external directors' fees may be set at no more than the average amount the other directors receive, except that expert external director fees may be set at up to 33% above said average amount. The compensation of each expert external director must be identical, and the compensation of each external director not classified as an expert must be identical. Note that the relative compensation option is available only when a company has at least two other directors.

Relative compensation requires the approval of the compensation committee, the board, and the majority of shareholders voting in a meeting. However, if relative compensation amounts to more than 50% above the legal maximum amount for external directors discussed above, the approval of a majority of shareholders who have no personal interest in the matter resulting from ties to the controlling shareholder(s) or the absence of the dissent of 2% of such shareholders is required. Note that the cash compensation amount may not change over the external director's three-year term.

Apart from cash compensation, a company may grant external directors equity-based compensation, as long as:

i. The equity is granted under an equity plan that includes all "other directors," as well as additional officers;
ii. The grants, including their number, conditions, exercise price, vesting periods, etc., follow rules similar to the relative compensation rules above for cash compensation;
iii. The amounts do not change over the external director's three-year term.

Taking into account the substantial regulations for directors' fees described above, Glass Lewis will generally recommend supporting fees that align with the allowable amounts under Israeli law. However, absent a compelling rationale, such as operating and/or competing for talent in markets outside of Israel, we may recommend voting against proposals to compensate any director other than the chair significantly above the legal maximum amount for external directors discussed above.