

# ELRON

## **English Translation of Immediate Report filed with the Israeli Securities Authority on December 31, 2020**

On December 31, 2020, Elron Electronic Industries Ltd. (the "Company") announced that in accordance with the approval of the Compensation Committee, the Company has entered into an agreement to purchase an insurance policy for directors and officers, who serve and will serve from time to time in the Company, and usually in its subsidiaries and who serve as directors on behalf of the Company in its associated companies, including directors and officers who are controlling shareholders in the Company or their relatives (the "Insurance Policy"), and such is in accordance with Regulation 1B1 of the Israeli Companies Regulations (Reliefs for Interested Parties' Transactions), 5760-2000 and in accordance with the position of the Israel Securities Authority 101-21 (as recently updated) and the provisions of the Company's compensation policy as approved by the Company's shareholders meeting on March 12, 2020 (see Report on Notice Convening the Meeting published by the Company on February 3, 2020,) (the "Compensation Policy") subject to that which is stated below:

The Insurance Policy will be in effect from January 1, 2021 until December 31, 2021 (the "Insurance Period"). The limit of the insurer's liability under the Insurance Policy is \$30 million per claim and in the aggregate for the Insurance Period. The terms of the insurance by virtue of the Insurance Policy are the same with respect to all directors and officers. The cost of the premium to be paid in respect of the Insurance Policy for the Insurance Period is in the amount of approximately \$415,000. The deductible for each claim under the Insurance Policy will amount to \$150,000 for a securities law-related claim or \$75,000 for any other claim (except for a claim filed in the U.S. or Canada regarding securities law, in which case the deductible amount will be \$1,000,000 or \$100,000 in the case of any other lawsuit filed in the U.S. or Canada).

In its decision, the Compensation Committee noted, among other things, that the engagement in the Insurance Policy for liability of directors and officers serves the good of the Company. It was also confirmed that the terms of the Insurance Policy comply with the framework set out in the Company's Compensation Policy (except for the cost of the annual premium and amount of the deductible, in accordance with the position of the Israel Securities Authority 101-21 as stated below), and that the engagement is not likely to materially affect the Company's profitability, assets or obligations. The committee determined that the engagement is on market terms, among other things in light of information and advice received from the Company's insurance consultants.

It should be noted that, the cost of premium and the amount of deductible determined in the Insurance Policy, are higher than the maximum cost of premium and amount of deductible determined in the Company's Compensation Policy and this is in light of the dramatic changes in the insurance market in recent years, and in particular and even more so in light of the corona crisis. It should be noted that, in light of the above circumstances and in light of the expiration of the existing policy, it is of great importance to approve the Company's engagement in the Insurance Policy, while maintaining the continuity of insurance coverage. Accordingly, the Company entered into the Insurance Policy, in accordance with the approval of the Compensation Committee and the position of the Israel Securities Authority 101-21, and will act to bring an amendment to the Compensation Policy for approval at the next

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general meeting to convene, in which the provisions regarding the insurance of directors and officers will be updated so that the terms of the Insurance Policy will match the provisions of the Compensation Policy.

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