

# Teva Pharmaceutical Industries Limited

## Statement of Corporate Governance Principles

### 1. Board of Directors

**General.** The Board of Directors is the ultimate decision-making body of Teva Pharmaceutical Industries Limited ("Teva"), except with respect to those matters reserved to the shareholders by law, regulation or Teva's Articles of Association. The directors select the CEO and oversee and monitor the performance of the senior management team, which is charged with the day-to-day conduct of Teva's business. The fundamental responsibility of the directors is to exercise their business judgment on matters of strategic and critical significance to Teva in furtherance of what they reasonably believe to be in the best interests of Teva, its shareholders and other stakeholders.

**Selection Criteria.** Board candidates are selected for, among other things, their integrity, experience, leadership and ability to exercise sound judgment. These characteristics are the foundation for other credentials sought in prospective directors, including scientific expertise and experience at policy-making levels involving issues affecting business, government, finance, healthcare, education, technology and other areas relevant to Teva's global business.

**Board Tenure.** Due to the complexity of Teva's businesses and its extensive global activity, we value the increasing insight which a director is able to develop over a period of service on the Board. Because we believe that extended service on our Board enhances a director's ability to make significant contributions to Teva, we do not believe that arbitrary term limits on directors' service are appropriate. At the same time, it is the policy of the Board that directors should not expect to be reelected automatically.

**Meetings.** At least six meetings of the Board are to be held throughout the year, with additional special meetings to be scheduled when required. A majority of the physical meetings of the Board in each calendar year (but not less than four physical meetings per calendar year) shall be held in Israel in light of Teva's Israeli character. Directors are expected to attend Board meetings and meetings of the Committees on which they serve, to spend the time needed and to meet as frequently as necessary to discharge their responsibilities. Meetings should include presentations by management and, when appropriate, outside advisors or consultants, as well as sufficient time for full and open discussion.

**Agenda.** A meeting agenda as well as written materials that are important to the understanding of the agenda items to be discussed at a Board or Committee meeting are to be distributed to the directors sufficiently in advance of the meeting to allow them the opportunity to adequately prepare. Directors are expected to review these materials thoroughly in advance of the meeting. At the invitation of the Board, members of senior management may attend Board meetings or portions thereof for the purpose of presenting issues on the Board's agenda and participating in discussions.

**Executive Sessions of Directors.** Our directors are expected to meet in executive session (i.e., without the participation of management) regularly and as needed. To that end, our

directors are encouraged to meet in executive session after each regularly scheduled Board meeting. In addition, our independent directors are expected to meet in executive session at least once per year and as needed. Notwithstanding, selected members of management are typically invited by the Board to attend regularly scheduled Board meetings.

***Service on Other Public Boards.*** A Teva director may also serve as a director (or in a comparable position) of another organization. The Corporate Governance and Nominating Committee is responsible for reviewing a director's other board positions to ensure that such responsibilities do not compromise the director's ability to serve effectively as a Teva director or create a potential conflict of interest, but there is no fixed limit.

***Director Orientation and Continuing Education.*** Teva has an orientation program and a continuing education process for Board members that includes business and industry briefings, provision of materials, meetings with key management and visits to Teva facilities.

***Nominations.*** The Corporate Governance and Nominating Committee is in charge of evaluating the performance of current Board members proposed for reelection, and recommending whether members of the Board should stand for reelection by Teva's shareholders. Shareholders may submit proposed nominations for consideration by the Corporate Governance and Nominating Committee to Teva's Corporate Secretary at its corporate headquarters in accordance with the provisions of Teva's Articles of Association and applicable law. Any vacancies on the Board may be filled by the Board, based on the recommendation of the Corporate Governance and Nominating Committee.

***Majority Voting Policy.*** In accordance with Israeli law and our Articles of Association, the affirmative vote of the holders of a majority of Teva's ordinary shares participating and voting at the annual meeting of shareholders, in person or by proxy or through their representatives, shall be required to elect a director.

***Attendance at Annual Meeting.*** All directors are strongly encouraged to attend annual shareholder meetings.

***Change in Professional Status.*** If a director's principal occupation or professional responsibilities change substantially in such a manner that may materially affect his or her ability to continue serving on the Board, that director shall submit his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will consider all of the circumstances relating to the director's resignation and will recommend to the Board the action, if any, to be taken with respect to the resignation.

## **2. Board Committees**

It is Teva's general policy that all major decisions be considered by the Board as a whole. Currently, the Board has the following standing committees: Audit Committee, Human Resources and Compensation Committee (the "Compensation Committee"), Corporate Governance and Nominating Committee, Compliance Committee, Finance and Investment Committee and Science and Technology Committee. The Board may, from time to time, eliminate committees or establish or maintain additional committees, as it deems necessary or

appropriate, and amend the committees' charters in accordance with applicable laws and regulations.

The members and chairs of committees are appointed annually by the Board. The Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee shall consist of independent directors only, in accordance with applicable SEC and exchange rules and other applicable laws and regulations.

Each committee shall meet from time to time, as required or as requested by the Chairman of the Board.

The standing Board committees have written charters, which shall be made available on Teva's website.

### **3. Independence of Directors; Financial Expertise**

A substantial majority of the members of the Board are to be "independent," as such term is defined by applicable SEC and exchange rules. In addition, for a director to be considered independent, the Board must determine that he or she does not have any direct or indirect material relationship with Teva (other than in his or her capacity as a director).

At least three of the directors shall qualify as "financial experts," as such term is defined under Israeli law. Furthermore, the Board's Audit Committee includes an "audit committee financial expert," as defined by applicable SEC regulations.

### **4. Communication with Directors**

It is Teva's policy that management speaks for the company. This policy does not preclude directors from meeting with shareholders, but it is suggested that in most circumstances any such meetings be held with management present.

Shareholders, employees and other interested parties can contact any director or committee of the Board by writing to them care of Teva Pharmaceutical Industries Limited, 5 Basel Street, Petach Tikva, Israel, Attn: Corporate Secretary or Internal Auditor. Comments or complaints relating to Teva's accounting, internal controls or auditing matters will also be referred to members of the Audit Committee as well as other appropriate bodies of Teva. The Board has adopted a global "whistleblower" policy, which provides employees and others with an anonymous means of communicating with the Audit Committee.

### **5. Executive Compensation**

The Compensation Committee oversees the management of Teva's compensation and other human resources related issues and assists the Board in carrying out its related responsibilities. The Compensation Committee is responsible for establishing annual and long-term performance goals and objectives for Teva's executive officers, as well as reviewing Teva's overall compensation philosophy and policies, including with respect to executive officers and directors. In addition, the Compensation Committee reviews and approves any arrangement as to the terms of service and/or employment of executive officers or directors.

It is Teva's philosophy that executive officer compensation should be structured to maximize Teva's performance and shareholder value by incentivizing and rewarding sustained financial and operating performance and aligning executive officers' interests with those of our shareholders and other stakeholders.

Accordingly, the Compensation Committee and the Board have adopted a Compensation Policy designed to encourage pay for performance, align executive officers' interests with those of Teva and its shareholders over the long-term, encourage balanced risk management and provide a competitive compensation package. This Compensation Policy has been approved by our shareholders as required by Israeli law.

#### **6. Annual Performance Evaluations**

The Board and the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Compliance Committee, Finance Committee and Science and Technology Committee each conduct an annual self-evaluation. These self-evaluations are intended to facilitate an examination and discussion of the Board's and each committee's effectiveness in fulfilling its responsibilities.

#### **7. Management Succession**

The Compensation Committee is in charge of preparing and regularly reviewing succession plans for the CEO, in consultation with the Chairman of the Board, and, in consultation with the CEO, with regard to other executive officers.

#### **8. Code of Business Conduct**

Teva requires training on ethical behavior for its employees and Board members and has established a program in which each employee and Board member undergoes periodic mandatory training regarding the Code of Business Conduct.

#### **9. Related Party Transactions**

Our Audit Committee reviews proposed transactions in which an executive officer or director of Teva has a direct or indirect personal interest. An executive officer or director with a personal interest in a matter generally may not be present at the Board or certain committees' meeting where the matter is being considered and, in the case of a director, may not vote on the matter. Our related party transactions are reviewed and need to be approved by the Audit Committee (and, if determined to be a transaction not in the ordinary course of business, not on market terms or likely to have a material impact on the company's profitability, assets or liabilities, also need to be reviewed and approved by the Board) in accordance with applicable law and Teva's Articles of Association.

#### **10. Potential Impact on Compensation from Executive Misconduct**

Teva's executive officers are required to return any compensation paid to them on the basis of results included in financial statements that turned out to be erroneous and was subsequently restated, during the three year period following filing thereof. Furthermore, if the

Board determines that an executive officer has engaged in conduct that resulted in a material inaccuracy in Teva's financial statements or caused severe financial or reputational damage to Teva, the Board has broad remedial and disciplinary authority. Board-imposed discipline would vary depending on the facts and circumstances, and may include, without limitation, (1) termination of employment, (2) initiating an action for breach of fiduciary duty and (3) seeking reimbursement of performance-based or incentive compensation paid or awarded to the executive officer.

**11. Periodic Review of these Principles; Amendments**

These Principles shall be reviewed periodically by the Corporate Governance and Nominating Committee to ensure that they remain relevant and are being complied with. The Board may amend, modify, repeal or waive any of these Principles at any time, with or without public notice, as it determines necessary or appropriate, in the exercise of its judgment or fiduciary duties.

*Last amended on October 31, 2017.*