

***Adopted on August 27, 2013***

## **Teva Pharmaceutical Industries Ltd. Compensation Policy for Executive Officers and Directors**

This document sets forth the compensation policy of Teva Pharmaceutical Industries Ltd. ("Teva" or the "Company") for its executive officers and directors.

For purposes of this policy, "executive officers" shall mean "office holders" as such term is defined in the Israeli Companies Law, 5759-1999 (the "Israeli Companies Law"), including Teva's Chief Executive Officer (the "CEO") but excluding Teva's directors, unless otherwise expressly indicated. This policy is subject to applicable law and is not intended, and should not be interpreted as limiting or derogating from, provisions of applicable law to the extent not permitted. Pursuant to the Israeli Companies Law, shareholder approval is generally required to approve compensation to Teva's CEO and its directors.

Teva's Human Resources and Compensation Committee (the "Committee") and its Board of Directors (the "Board") will periodically review this policy to ensure that its provisions and implementation are aligned with Teva's compensation philosophy and with applicable legal and regulatory requirements. This policy shall apply to any compensation arrangement of an executive officer or director that is approved following its adoption.

### **Teva's Values**

Teva is a leading global pharmaceutical company and is a leader in the global generic medicine industry. Headquartered in Israel, Teva is distinguished as the largest company in Israel. The Teva group is active in 60 countries, with over 40,000 employees worldwide, a majority of whom are employed outside of Teva's home country, Israel.

In every action it undertakes, Teva follows its guiding values of ***Integrity, Respect, Collaboration, Excellence*** and ***Leadership***. These values enable Teva to bring safe and effective medicines to the world through the quality of its people and of its products, and are the foundation of Teva's commitment to patients, and of its continuous dedication to making a positive and meaningful difference.

Teva's values ensure that Teva puts its people at the center of its success. They reinforce the importance of how Teva executes its strategy, and they drive Teva's day-to-day behavior and decisions.

To remain competitive, Teva must attract and retain highly talented professionals with the necessary capabilities to promote creativity and manage global operations while embodying such values. Due to Teva's unique position as an Israeli company with a global footprint, it aims to adopt compensation policies and procedures that match those of global companies of similar complexity, while complying with applicable local laws and customs.

Teva is also committed to transparent and ethical business practices. Maintaining high standards of corporate governance and legal compliance are key factors in Teva's success. It allows Teva to create long-term value for its shareholders as well as all of its other stakeholders, including employees, customers, suppliers and, above all, patients worldwide.

## **Compensation Objectives**

Teva's objectives with respect to executive officer compensation, as summarized below, are designed to: (i) encourage pay-for-performance; (ii) align executive officers' interests with those of the Company and its shareholders over the long-term; (iii) encourage balanced risk management; and (iv) provide a competitive compensation package.

***Pay-for-performance:*** Teva aims to incentivize its executive officers by creating a strong link between their compensation and performance. Therefore, a significant portion of the total compensation package provided to Teva's executive officers is based on measures that reflect both Teva's short and long-term goals and performance, as well as the executive officer's individual performance and impact on shareholder value. In order to strengthen this link, Teva defines clear and measurable quantitative and qualitative objectives that, in combination, are designed to improve Company results and returns to shareholders.

***Aligning executive officers' interests with those of the Company and its shareholders:*** In order to promote retention and motivate executive officers to focus on long-term objectives and performance of the Company's shares, a significant portion of the compensation packages of Teva executive officers is granted in the form of equity-based compensation, which creates a direct link between the interests of executive officers and the interests of Teva and its shareholders.

***Risk management:*** Compensation is structured in a manner that creates an incentive to deliver high performance (both long and short-term) while taking into account Teva's compliance and risk management philosophy and avoiding undue pressure to take excessive risks, thus encouraging a balanced and effective risk taking approach. Teva's compensation elements are designed with this in mind, by including mechanisms that reduce incentives to expose the Company to imprudent risks that may harm Teva or its shareholders in the short and long-term. This is achieved by using tools such as (i) placing maximum thresholds on eligibility for short and long-term incentives; (ii) measuring performance with key performance indicators that are designed to reduce incentives to take excessive risks; (iii) using compensation vehicles with diverse performance measures; (iv) granting a mix of equity-based compensation types that have long-term vesting schedules, which tie the awards to a longer performance cycle; and (v) requiring clawback of compensation payments in certain circumstances.

***Competitiveness:*** Teva competes with global companies to attract and retain highly talented professionals with the necessary capabilities to promote creativity, manage its complex business and worldwide operations and execute its strategy. For these reasons, the total compensation package for Teva's executive officers is generally targeted at the median of the peer group, which includes global pharmaceutical companies, as well as other companies which compete with Teva for similar talent, and may also include companies in the relevant geographical location. Executive officers' total compensation may deviate from the target level as required to attract or retain certain individuals or reflect their respective characteristics or performance.

Teva's executive officer compensation philosophy also values the following principles:

- Promotion of Teva's goals and supporting Teva's business strategy and work plan;
- Paying executive officers equitably relative to one another based on their role and responsibilities, educational background, skills, expertise, prior professional experience, achievements, seniority and location;
- Embedding a culture of strong performance with high integrity; and

- Encouraging good corporate governance and compliance practices.

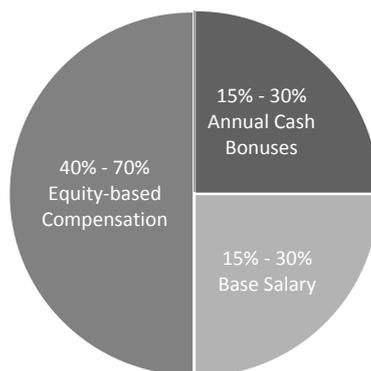
**Compensation Elements**

Teva’s executive officers’ compensation packages are composed of the following elements:

- Base salary
- Cash bonuses
- Equity-based compensation
- Benefits and perquisites
- Retirement and termination of service or employment arrangements

Teva’s target range for the compensation mix between the base salary, annual cash bonuses and equity-based compensation of its executive officers, is set forth below:

**Target Range:**



The target ratios express the optimal pay mix in the event that all performance measures are achieved at target levels and assume that all compensation elements detailed in the chart above are granted with respect to a given year. Performance in any given year that is lower than target levels or exceeds target levels may result in a payout in different percentages than those detailed above.

The target compensation mix supports the core principles of Teva’s executive officer compensation philosophy of compensating for performance and aligning executive officers’ interests with those of the Company and its shareholders, by emphasizing short and long-term incentives while considering the fact that different circumstances may warrant different target pay mixes. A large portion of an executive officer’s compensation is therefore targeted to be “pay at risk” tied to key metrics of the Company’s growth, consistent with the approach taken by other global pharmaceutical companies. The Company may see fit to incentivize its executive officers to realize key strategic opportunities and pursue innovative strategies, while taking into account measures to mitigate such risk in accordance with its risk management policy.

Set forth below is a description of each of the compensation elements.

**Base Salary**

**Purpose:** Base salaries provide stable compensation to executive officers, allow Teva to attract and retain competent executive talent and maintain a stable management team. Base salaries vary among

executive officers, and will be individually determined according to each executive officer's areas of responsibility, role and experience based on a variety of considerations, including:

- **Professional background:** education, skills, expertise, professional experience and achievements.
- **Competitiveness:** the base salary of executive officers will be evaluated by conducting external benchmarking using a defined peer group, selected, among others, according to Teva's size, global footprint, nature of activities and competitors for similar talent, as well as the relevant geographical location, as further detailed under "External and internal considerations" below.
- **Internal fairness:** the variation in the relative base salary among executive officers should reflect the differences in position, education, scope of responsibilities, location, previous experience in similar roles and contribution to attainment of Teva's goals.

**Adjustments to base salary:** The Committee and the Board may periodically consider and approve base salary adjustments for executive officers. The main considerations for a salary adjustment are similar to those used in initially determining base salary, but may also include change of role or responsibilities, recognition for professional achievements, regulatory or contractual requirements, budgetary constraints or market trends. The Committee and the Board will also consider the previous and existing compensation arrangements of the executive officer whose base salary is being considered for adjustment.

**One-time grant:** In addition to the base salary, in circumstances deemed appropriate by the Committee and the Board, executive officers may be awarded a fixed amount, one-time, cash or equity-based grant upon recruitment or promotion, subject to the discretion of the Committee and the Board.

### **Cash Bonuses**

**Purpose:** The annual cash bonus component aims to ensure that Teva's executive officers are aligned and unified in reaching Teva's short and long-term goals. Annual cash bonuses are, therefore, a strictly pay-for-performance element, as payout eligibility and levels are determined based on actual financial and operational results, as well as individual performance.

**General:** Following approval of the Company's Annual Operating Plan ("AOP") each calendar year, the Committee and the Board, following the CEO's recommendation, shall determine the performance measures, taking into account Teva's short and long-term goals, as well as its compliance and risk management policies. The Committee and the Board may also determine any applicable super-measures that must be met for entitlement to the annual cash bonus (all or any portion thereof) and the formula for calculating any annual cash bonus payout, with respect to each calendar year, for each executive officer. In special circumstances, as determined by the Committee and the Board (*e.g.*, regulatory changes and significant changes in Teva's business environment), the Committee and the Board may modify the objectives and/or their relative weights during the calendar year.

**Measurement criteria:** Quantitative and qualitative performance measures will be used to determine annual cash bonus eligibility, using key performance indicators. Subject to the discretion of the Committee and the Board, such performance measures will generally be determined based on the AOP and the long range plan approved by the Board, and will be structured in order to take into account Teva's short and long-term goals. These performance measures, which include the objectives and the weight to be assigned to each achievement in the overall evaluation, will be categorized in three main areas, as described below:

- Between 60% and 80% – overall company performance measures, which are based on actual financial and operational results, such as net revenues, sales, operating profit, cash flow and product quality;
- Between 15% and 25% – business unit/cluster/regional performance measures, which are tailored to the specific characteristics of each unit and are aligned with the goals set forth in Teva's annual operating plan and long range plan. For example, measures for the Chief Financial Officer may include cash flow and finance expense management; measures for the head of Research and Development may include R&D pipeline and milestones; and measures for the head of U.S. sales may include sale targets in this market; and
- Up to 20% – quantitative and qualitative individual performance measures, which are based on specific pre-defined competencies and behaviors as well as the achievement of specific pre-defined goals determined for each individual executive officer.

When determining the precise distribution of these measures, the Committee and the Board will consider: (i) emphasizing the high level of accountability to overall company performance and financial results expected of each executive officer; (ii) creating a personal link between each executive officer's compensation and the achievement of the corporate goals; (iii) creating a personal link between each executive officer's compensation and the achievement of business unit goals under his or her responsibility; and (iv) driving individuals to a high performance culture.

Teva's CEO's performance will be measured as described below:

- Between 80% and 85% – overall company performance measures, similar to those determined for other executive officers (as stated above), reflecting the importance of the CEO's leadership role and the CEO's responsibility and contribution that relate to overall company performance; and
- Between 15% and 20% – discretionary evaluation of the CEO's performance by the Committee and the Board based on quantitative and qualitative criteria.

**Parameters:** To the extent not already determined below, annual cash bonus parameters will be determined by the Committee and the Board, taking into account Teva's short and long-term goals, as well as its risk management policy.

- **Thresholds:** achievement of less than 80% of an executive officer's performance measures in a given year (and with respect to the CEO, 85%) will not entitle such executive officer to an annual cash bonus.
- **Target Bonus:** the target bonus, which is the annual cash bonus amount that an executive officer will be entitled to receive upon achievement of 100% of his or her performance measures, will be equal to 100% of the executive officer's annual salary. The target bonus for the CEO will be 140% of the CEO's annual salary.
- **Maximum Bonus:** the maximum bonus, which is the maximum annual cash bonus amount that an executive officer will be entitled to receive upon achievement of at least 120% of his or her performance measures for any given calendar year, will not exceed 200% of such executive officer's annual salary.

- **Payout Formula:** the formula for calculating the annual cash bonus payout with respect to each calendar year will refer to the target and maximum bonus and applicable thresholds and super-measures. The formula may result in a partial bonus payout in the event that an executive officer achieves less than 100% (but no less than 80%, and with respect to the CEO, not less than 85%) of his or her performance measures.
- **Super-measures:** the Committee and the Board may determine one or more additional mandatory requirements that must be met for entitlement to the annual cash bonus (all or any portion thereof) with respect to each calendar year. The super-measures may be determined as an absolute parameter (*e.g.*, operating profits, revenues, EPS) and/or as a parameter that is relative to a peer group (*e.g.*, ratio of EPS to peer group EPS, ratio of TSR to peer group TSR).
- **Budget:** the Committee and the Board may set an annual budget for annual cash bonuses awarded to executive officers. In special circumstances, as determined by the Committee and the Board (*e.g.*, regulatory changes and significant changes in Teva's business environment), the Committee and the Board may amend or modify such budget during the applicable period.

The annual cash bonus parameters are intended to drive motivation and performance continuously higher, while the maximum payout ceiling provides a risk management mechanism that assists in protecting Teva from excessive risk taking to achieve short-term results that could expose Teva to risk in the long-term, and aligns target setting with Teva's pre-defined risk profile.

In the event of an executive officer's termination of service or employment where such executive officer served in Teva for less than 12 months, he or she will not be entitled to an annual cash bonus, unless otherwise determined by the Committee and Board.

In addition to the annual cash bonus, in very special circumstances, the Committee and the Board may determine that an executive officer is also entitled to other cash bonuses for completion of a certain achievement or assignment. Such other cash bonuses provide Teva the flexibility to adapt to unexpected or unaccounted for events or occurrences. The conditions for receipt of such other cash bonuses and the method of calculation thereof will be determined by the Committee and the Board in advance. The Committee and the Board may also, in their sole discretion, grant other cash bonuses for significant or extraordinary achievements or efforts that produced an exceptional result, provided that the total amount of other cash bonuses awarded to an executive officer for any given year will not exceed 25% of such executive officer's annual salary, and provided further that the value of discretionary variable compensation will not exceed 20% of the executive officer's total variable compensation.

### **Equity-based Compensation**

**Purpose:** Equity-based compensation is intended to reward for future performance, as reflected by the market price of Teva's ordinary shares and/or other performance criteria, and is used to foster a long term link between executive officers' interests and the interests of Teva and its shareholders as well as to attract, motivate and retain executive officers' for the long term by:

- Providing executive officers with a meaningful interest in Teva's share performance;
- Linking equity-based compensation to potential and sustained performance; and
- Spreading benefits over time through the vesting period mechanism.

**Equity grant determinations:** Equity-based awards will generally be granted to executive officers on an annual basis, and at such other times as the Committee and the Board deem appropriate, including for newly hired or promoted executive officers. Notwithstanding the foregoing, the Committee and the Board may determine with respect to a specific year that no equity-based awards will be granted to all or any particular executive officers.

Equity-based awards will be granted pursuant to Teva's "2010 Long-Term Equity-Based Incentive Plan," and/or any other long-term incentive plan(s) that Teva may adopt in the future and generally on terms and conditions provided for therein and as determined by the Committee and the Board, provided that any such terms and conditions are in line with the following:

- **Time-based equity awards:** Equity-based awards structured as time-based awards (aimed to reward long term performance, as reflected by the market price of Teva's ordinary shares or American Depositary Shares) will include a time-vesting period. Time-based equity awards will have an overall exercise term of several years, structured in order to retain executive officers and maintain their commitment to increasing Company and shareholder value over the long term. These types of awards may include stock options and/or restricted stock units.
- **Performance-based equity awards:** The amount and/or vesting of performance-based awards will be subject to achievement of pre-determined performance criteria. Performance measurement periods for performance-based equity awards will be for specified periods that express the long-term performance goals that Teva wishes to achieve. Following the performance measurement period, additional time-based vesting requirements may also apply. The vesting criteria for performance-based equity awards will be based on measurable performance criteria, such as financial parameters and/or stock performance parameters, which may be determined as an absolute parameter (e.g., EPS, TSR, stock price) and/or as a parameter that is relative to a peer group (e.g., ratio of TSR to peer group TSR). These types of awards may include performance stock units and/or market stock units.
- **Vesting of equity-based awards:** The minimum vesting period of all equity-based awards, other than performance stock units (if granted) will be two years from the date of grant. The minimum vesting period of performance stock units (if granted) will be three years from the date of grant.

The monetary grant value of executive officers' equity-based awards will be determined by the Committee and the Board, taking into account, among other things, Teva's pay mix targets, the desired mix of equity-based vehicles, the executive officer's contribution to Company performance, desired competitive compensation levels and dilution or pool limits. When establishing the monetary grant value, the Committee and the Board will also determine the mix of equity-based vehicles for each grant, which may include various types of time-based and performance-based equity-based vehicles, including stock options, restricted stock units, performance stock units, market stock units and/or other share-based awards. The value of each type of equity-based vehicle will be determined in accordance with accepted valuation and accounting principles, as they apply to the relevant type of equity-based vehicle. The mix of equity vehicles and the relative weight assigned to each type of equity-based vehicle out of the total equity-based grant will be structured to enhance the executive officers' commitment to increasing Company and shareholder value and will be designed to encourage balanced and effective business risk-taking. The Committee and the Board may change the distribution and elements of the equity mix from time to time.

**Caps on equity-based compensation:**

- **Equity budget:** the Committee and the Board may set an annual budget for equity-based compensation awarded to executive officers. In special circumstances, as determined by the

Committee and the Board (e.g., regulatory changes and significant changes in Teva's business environment), the Committee and the Board may amend or modify such budget during the applicable period.

- **Cap at grant date:** the total monetary grant value of all equity-based compensation awarded to a single executive officer per annum shall not exceed \$2 million (and with respect to the CEO, \$3.5 million) and shall not exceed 80% of each executive officer's total compensation package in a given calendar year.
- **Cap at exercise date:** the Committee and the Board may from time to time consider determining a cap for the benefit deriving from the exercise of equity-based compensation.

### **Benefits and Perquisites**

**Purpose:** Benefit plans and perquisites have three main objectives:

- Compliance with legal requirements to provide certain benefits that are mandatory under applicable law (e.g., paid vacation, sick leave and pension plans);
- Attracting, motivating and retaining high level professionals; and
- Enabling recruitment of executive officers from various locations and their relocation.

**Types of benefits:** Benefit plans and perquisites are intended to supplement cash compensation and often involve non-monetary rewards, coverage of certain business-related expenses, insurance, pension and savings plans and other deferred monetary savings. Such benefits and perquisites may vary depending on geographic location and other circumstances. Global, regional and local units may develop their own benefit plans and procedures, consistent with Teva's principles and guidelines and subject to approval of the appropriate organs in the Company. Benefits and perquisites may include, in addition to benefits that are mandated by applicable law and/or generally provided to all other employees (including related costs and expenses): car and transportation, telecommunication devices, media and computer equipment and expenses, travel and relocation (including expenses related to family, such as school tuition and commuting) and life and medical insurance and benefits (including for family).

### **Retirement and Termination of Service or Employment Arrangements**

**Purpose:** Depending on the circumstances, Teva may provide certain post-service or employment benefits, compensation or protection to its executive officers, which helps it attract and retain highly talented professionals globally for long-term leadership positions, and express recognition of such executive officers' contribution to Teva during their tenure with the Company.

**General:** Retirement or termination of service or employment arrangements, will be determined based on the circumstances of such retirement or termination, the term of service or employment of the executive officer, his/her compensation package during such period, market practice in the relevant geographic location, Teva's performance during such period and the executive officer's contribution to Teva achieving its goals and maximizing its profits. For example, the Committee and the Board may, at their discretion, determine not to provide some or any post-service or employment benefits, compensation or protection, in the event of termination for "cause," which will be as defined in the applicable arrangement or plan document.

**Post-service or employment benefits, compensation or protection:** Executive officers' post-service or employment benefits, compensation or protection, may include, without limitation, one or more of the following arrangements. In light of the Company's global nature and headquarters in Israel, with executive officers located both in Israel and abroad, the following list is intended to encompass retirement or termination arrangements in a wide range of circumstances, including geographic location, and does not reflect an intention by the Company to provide an individual executive officer with all of the arrangements included therein.

- **Advance notice:** advance notice of termination for a certain period of time, not to exceed nine months, during which an executive officer will be entitled to receive full terms of service or employment and will be required to continue to perform his or her duties, unless otherwise determined by the Company.
- **Severance payment:** a severance payment of up to the product of 200% of the last monthly base salary and the number of years of employment.
- **Non-compete:** up to 12 monthly base salaries (and for the CEO, 24 monthly base salaries) in consideration for the executive officer's undertaking not to compete with Teva for at least one year following termination. Payments shall cease and Teva may reclaim any amounts paid in this regard in the event of a breach of such undertaking (in addition to any other remedies available).
- **Change in control:** upon termination of service or employment by the Company without "cause" or by the executive officer for "good reason," one year or less following a merger, either (a) up to \$1.5 million, or (b) increase of severance payments by an amount not to exceed 6 monthly base salaries (and for the CEO, 12 monthly base salaries). Such "double-trigger" arrangements enable management to evaluate and support potential transactions that might be beneficial to shareholders even though the result would be a change of control of Teva, while attempting to alleviate any uncertainties in connection therewith.
- **Medical benefits:** continuation of medical and life insurance benefits for a period of up to 18 months following retirement or termination of service or employment.
- **Acceleration, continued vesting and exercisability of equity-based compensation:** the acceleration or continued vesting of equity-based compensation grants, as well as the post-termination exercise period for vested stock options, following termination of service or employment.
- **Discretionary payment:** for executive officers that have served in their position for five years or more, in special circumstances determined by the Committee and the Board, a special one-time payment upon retirement or termination in an amount not to exceed 200% of the annual salary, in acknowledgment of their special contribution to the Company and circumstances of retirement or termination, as determined by the Committee and the Board no earlier than a reasonable time prior to retirement or termination of their service or employment.

**Committee and Board Discretion:** The Committee and the Board may determine that any or all post-service or employment benefits, compensation or protection (as well as any portion thereof) will be granted in consideration for and/or conditioned upon or subject to the fulfillment of one or more conditions or undertakings (e.g., confidentiality and/or non-compete obligations).

### **External and Internal Considerations**

**External benchmarks:** While Teva focuses on a comparable peer group of global pharmaceutical companies to benchmark compensation, it understands that the market for executive talent may be broader than this group. In addition, Teva believes that its peer group should also include companies which compete with Teva for similar talent. Consequently, being a global company with headquarters in Israel, the Committee and the Board will evaluate executive officer compensation against survey and market data which may include the following segments:

- companies of similar size or financial characteristics in North America and Western Europe;
- pharmaceutical companies in North America and Western Europe; and
- companies in relevant geographic locations, including Israel, which compete with Teva for similar talents.

At the time this policy is adopted, Teva expects its global peer group of pharmaceutical companies for this purpose to include: Amgen, AstraZeneca, Biogen Idec, Bristol-Myers Squibb, Eli Lilly and Company, Mylan.

In addition, the Committee may also collect data with respect to specific locations regarding certain compensation elements, as well as other published data, when appropriate, for comparable competencies. While the total compensation package for executive officers at Teva is generally targeted at the median of the peer group, individual compensation packages may vary as they are designed to be flexible so that compensation best reflects matters such as the individual's experience, performance, geographic location, and the business need to attract and retain specific talent.

#### ***Internal fairness:***

As a global company, with complex world-wide operations and with many of its executive officers and a vast majority of its employees located outside of Israel, Teva positions its executive officer compensation on a competitive scale commensurate with each executive officer's role and responsibility. Due to the large variations in customary pay levels, compensation practices and mandatory compensation requirements amongst the jurisdictions where executive officers and employees are located, the Committee and the Board believe that a meaningful comparison between executive officer compensation and the compensation of other employees should be made while considering the relevant geographic location in which the executive officer is located, the executive officer's role and scope of responsibility and the relevant geographic location of employees under the executive officer's area of responsibility.

Therefore, in addition to external benchmarking, the Committee and the Board will periodically review relevant internal ratios between executive officer compensation and the compensation of all other employees, and specifically the average and median values of all other employee compensation, and its potential effect on the labor relations in Teva. Where deemed appropriate by the Committee and the Board, the Committee and the Board will review internal ratios between executive officers and other employees in relevant geographies as well.

In the process of composing this policy, the Committee and the Board examined, among other things, the ratio between overall compensation of executive officers and the average and median compensation of other employees in Teva (including those employed by manpower contractors), as well as the possible

ramifications of such ratio on the work environment in Teva, in order to ensure that levels of executive officer compensation will not have a negative impact on the positive work relations in Teva.

**Previous and existing compensation arrangements:** When considering the compensation package of an executive officer, the Committee and the Board may consider the previous and existing compensation arrangements of such individual and his or her scope of responsibility.

### **General Discretion and Clawback**

**General discretion:** this policy is not intended and should not be interpreted as providing for the grant or creating an obligation on the part of the Company to grant any compensation to all or any particular executive officers or directors. Hence, the Committee and the Board may, at their sole discretion, approve compensation terms which are lower than the thresholds and benchmarks described herein.

**Reduction of variable compensation:** The Committee and the Board have the right to reduce any variable compensation to be granted to an executive officer due to circumstances determined by the Committee and the Board.

**Clawback:** 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. In such case, compensation amounts will be returned net of taxes that were withheld thereon, unless the executive officer has reclaimed or is able to reclaim such tax payments from the relevant tax authorities (in which case the executive officer will also be obligated to return such tax amounts).

In addition, in the event that it is discovered that an executive officer engaged in conduct that resulted in a material inaccuracy in Teva's financial statements or caused severe financial or reputational damage to Teva, or in the event that it is discovered that an executive officer breached confidentiality and/or non-compete obligations to Teva (as determined by the Committee and the Board), the Committee and the Board shall have broad remedial and disciplinary authority. Such disciplinary action or remedy would vary depending on the facts and circumstances, and may include, without limitation, (i) termination of employment, (ii) initiating an action for breach of fiduciary duty, and (iii) seeking reimbursement of performance-based or incentive compensation paid or awarded to the executive officer.

The Committee and the Board will determine applicable terms to enforce repayment of clawback amounts.

### **No Hedging Policy**

The Committee and the Board may set rules and procedures which prohibit executive officers from hedging their equity-based awards and any other Teva securities held by them (whether they are subject to transfer restrictions or not), such as purchasing options on Teva securities, purchasing derivative securities linked to Teva's securities or engaging in "short" sales on Teva securities. Any such restriction that is set by the Committee and the Board will apply to each executive officer until 1 year after such executive officers' termination or retirement.

### **Director Compensation**

**Objectives:** Teva aims to attract and retain highly talented directors with the appropriate educational background, qualifications, skills, expertise, prior professional experience and achievements, by providing a competitive compensation program.

**Elements:** Directors' compensation is comprised of the following elements:

- Annual fee
- Per-meeting fee

Teva's Chairman and Vice Chairman, as well as any other directors who take on increased duties in the activities of the Company, may be paid higher annual fees, in lieu or supplemental to the per-meeting fees, in recognition of the increased duties.

In addition, Teva will reimburse or cover its directors for certain expenses (including travel expenses) incurred in attending Board and committee meetings or performing other services for Teva in their capacity as directors.

When considering director compensation, the Committee and the Board will review benchmarking data with respect to compensation of a peer group defined by Teva. In addition to benchmarking, the Committee and the Board will review relevant internal ratios between director compensation and the compensation of all other employees, and specifically the average and median values of all other employee compensation, as well as the potential effect on the labor relations in Teva. The Committee and the Board may also consider directors' previous and existing compensation arrangements, as well as changes in their scope of duties or responsibilities.

**Statutory requirements:** Regulations promulgated under the Israeli Companies Law set minimum and maximum amounts and other rules regarding compensation that may be paid to statutory independent directors and other designated independent directors. These regulations further provide that the compensation of these independent directors may be determined relative to that of other directors of the Company, as may be the case with Teva's statutory independent directors and other designated independent directors.

Until otherwise determined, with the adoption of this policy, (i) the compensation to each of the Company's current and future directors (other than the current Chairman and the current Vice Chairman) is and will be as approved by the shareholders of the Company at the Company's 2012 annual general meeting, and (ii) the compensation to the current Chairman and the current Vice Chairman is and will be as approved by the shareholders of the Company at the Company's 2012 and 2010 annual general meetings.

### **Insurance, Indemnification and Release**

Teva will release its directors and executive officers from liability and provide them with indemnification to the fullest extent permitted by law and its Articles of Association, and will provide them with indemnification and release agreements for this purpose. In addition, Teva's directors and executive officers will be covered by directors' and officers' liability insurance policies.

Until otherwise determined, with the adoption of this policy, the release from liability and indemnification as approved by the shareholders of the Company at the Company's 2012 annual general



meeting shall apply to all current and future directors and executive officers. Such directors and executive officers shall be provided with Indemnification and Release Agreements substantially in the form approved at the 2012 annual general meeting.

The Committee and the Board shall review Teva's indemnification and release agreements and its directors' and officers' liability insurance policies from time to time, in order to ascertain whether they provide appropriate coverage. However, the Committee and the Board will not be obligated to recommend amendments to Teva's Articles of Association or to its indemnification and release agreements, nor shall they be required to recommend procurement of additional insurance for directors and executive officers.

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