



Revised June 23, 2022

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

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

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, to limit or derogate from applicable law to the extent not permitted.

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 applicable legal and regulatory requirements. This policy (as may be amended from time to time) shall apply to any compensation arrangement of an executive officer or director that is approved following its adoption.

The purpose of this policy is to address the requirements under the Israeli Companies Law and shall be in effect in accordance with the Israeli Companies Law and as long as such requirements are applicable to the Company.

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 officer or director. Accordingly, the upper limits described herein are maximum parameters and not an entitlement or right for all or any particular executive officer or director.

### **Executive Officer Compensation**

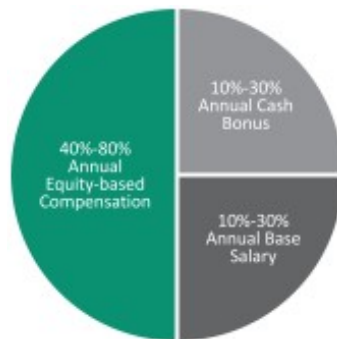
**Objectives:** To remain competitive in the global market for executive officers, Teva must attract and retain highly talented professionals with the necessary skills and capabilities to promote creativity and manage global operations while embodying the Company's values. Due to Teva's unique position as an Israeli company with an extensive global footprint, it aims to adopt a compensation program that matches those of similar global companies, while complying with applicable local laws.

**Compensation Elements:** Teva's executive officers' compensation packages are generally composed of the following elements:

- Base salary
- Cash bonuses
- Equity-based compensation
- Benefits and perquisites
- Termination arrangements

**Pay Mix:** Teva's target range for the pay mix between the annual base salary, annual cash bonus and annual equity-based compensation granted to its executive officers is set forth below:

**Target Range:**



The target ranges express the optimal pay mix in the event that all performance measures are achieved at target levels as approved by the Committee and, if required by applicable law, the Board, and assume that all compensation elements described in the chart above are granted with respect to a full calendar year. Performance in any given calendar year that is lower than target levels or exceeds target levels may result in a payout in different percentages than those described above.

**Base Salary:** Base salaries provide stable compensation to executive officers, allow Teva to attract and retain qualified global 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, which may include, inter alia, professional background (education, skills, expertise, professional experience and achievements and previous compensation arrangements, as relevant), external competitiveness, job criticality and internal fairness.

**Cash Bonuses:** Generally, the cash bonus component aims to ensure that Teva's executive officers are incentivized to reach Teva's annual goals. Cash bonuses are designed to provide a significant pay-for-performance element of Teva's executive compensation package. Cash bonuses may include annual and other cash awards.

- **Annual cash bonus measurement criteria:** The payout amount of annual cash bonuses with respect to any calendar year will be subject to achievement of quantitative and qualitative performance criteria and target levels as shall generally be determined by the Committee and, if required by applicable law, the Board.

The performance criteria may include measures which are based on: (i) actual financial and operational results, such as net revenues, sales, profit, cash flow, product quality, stock price, total shareholder return ("TSR") and other strategic business criteria; and/or (ii) evaluation of the executive officer's individual performance based on quantitative and/or qualitative performance measures, such as forming and implementing the Company's strategy, leadership, professional achievements and team collaboration, or other Committee and, if applicable, Board, evaluation of such executive officer's performance.

- **Target annual cash bonus:** The target annual cash 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 up to 100% of the executive officer's annual base salary. The target annual cash bonus for the CEO will be up to 150% of the CEO's annual base salary.
- **Maximum annual cash bonus payout:** The maximum annual cash bonus payout will not exceed 200% of such executive officer's target annual cash bonus.

**Equity-based Compensation:** Equity-based compensation is intended to incentivize and reward for future long-term performance, as reflected by the market price of Teva's ordinary shares or American Depositary 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. Equity-based compensation is also intended to attract, motivate and retain executive officers for the long term by (i) providing them with a meaningful interest in Teva's share performance; (ii) linking equity-based compensation to potential and sustained performance; and (iii) spreading benefits over a longer performance cycle through the vesting period mechanism. Equity-based compensation may include annual and other equity awards.

- **Time-based equity awards:** Time-based equity awards may include a time-vesting period with no additional performance conditions. Time-based equity awards will have an overall vesting term of several years, structured in

order to retain executive officers and maintain their commitment to increasing Company and shareholder value. These types of awards may include stock options, restricted stock, restricted stock units and/or other share-based awards.

- **Performance-based equity awards:** The amount and/or vesting of performance-based equity awards will be subject to achievement of performance criteria and target levels as shall be determined by the Committee and, if required under applicable law, the Board. Performance measurement criteria or targets will reflect, or will be steps toward the achievement of, key long-term goals that Teva seeks to achieve. Following the performance measurement period, additional vesting requirements may apply. The performance criteria will be based on measures, including, but not limited to, financial and/or operational measures, which may be determined as an absolute parameter (e.g., earnings per share, TSR, stock price and strategic goals) and/or a parameter that is relative to a peer group or index or other comparator group (e.g., ratio of Teva's TSR to the peer group TSR). Performance-based equity awards may include performance stock units, shares and/or other share-based awards. The maximum number of shares settled for a performance-based equity award shall not exceed 250% of the target number of shares granted.
- **Vesting of equity-based awards:** The minimum full vesting period of all equity-based awards will be three years from the date of grant. Partial vesting can occur before this date.
- **Maximum value of annual awards at grant date:** The maximum monetary grant date fair value of the annual equity-based compensation granted to the CEO shall not exceed \$11 million at target and to any other executive officer \$4.5 million at target, provided, however, that the Committee and the Board shall have the authority to front-load up to two future annual awards and in such case the target pay mix shall be calculated to reflect such frontloading over the applicable years.

The Company may allow settlement in cash of equity-based compensation granted in accordance with the Company's long-term equity-based incentive plan. In addition, from time to time, the Committee and the Board may consider determining a cap for the benefit deriving from the exercise of equity-based compensation.

**Other Cash or Equity-based Awards:** In special circumstances, the Company may determine that an executive officer is entitled to a cash and/or equity-based award in recognition of a significant achievement or for completion of an assignment. Such awards provide Teva the flexibility to adapt to unexpected or unaccounted for events or occurrences. The total value of such other awards granted in cash and/or in equity (at target based on grant date fair value) to an executive officer for any given calendar year will not exceed 50% of such executive officer's annual base salary on the date granted. The payment of such cash amount and/or the vesting or settlement of such equity grant, as relevant, may be subject to the fulfilment of additional terms and conditions or based on a Committee and, if applicable, Board, evaluation, and the cash amount may be paid in several installments, as may be determined by the Committee and the Board.

**Benefits and Perquisites:** Benefit plans and perquisites have two main objectives: (i) compliance with legal requirements to provide certain benefits that are mandatory under applicable law (e.g., paid time off and pension plans) and (ii) attracting, motivating and retaining highly talented professionals from various locations and enabling relocation. Benefits and perquisites may vary depending on geographic location and other circumstances.

- **Types of benefits and perquisites:** Benefits and perquisites may include, in addition to benefits that are mandated by applicable law and/or generally provided to other employees (including related costs and expenses): car, transportation, travel, relocation (including family-related expenses, such as tuition and commuting), life and medical insurance and benefits (including for one's family), accommodations (including fees associated with accommodation), telecommunication devices, media and computer equipment and expenses, and legal fee reimbursement.

**One-time Grants:** In circumstances deemed appropriate by the Company, executive officers may be awarded a one-time fixed cash or equity-based amount upon recruitment, promotion or due to special retention needs.

**Termination Arrangements:** Depending on the circumstances, Teva may provide certain post-service or post-employment benefits, compensation or protection to its executive officers, in addition to those mandated by applicable law, to help attract and retain highly talented professionals globally for leadership positions, and express recognition of such executive officers' contributions to Teva during their tenure with the Company. Termination of service or employment arrangements will be determined considering the following factors, as relevant: circumstances of such termination (whether upon retirement, resignation, termination by the Company or otherwise), 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.

- **Post-service or post-employment benefits, compensation or protection:** Executive officers' post-service or post-employment benefits, compensation or protection may include none, one or more of the arrangements described below, which are intended to encompass potential termination arrangements in a wide range of circumstances, including local market practice.
  - **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 regular compensation and benefits and will be required to continue to perform his or her duties, unless otherwise determined by the Company.
  - **Severance payment:** A severance payment of (i) up to two times the executive officer's annual base salary or with respect to the CEO, three times the CEO's annual base salary, upon termination, or (ii) any amount provided under an executive officer's terms prior to the Company's 2022 annual general meeting of shareholders. This payment or any part thereof may also be subject to and/or in consideration for the executive officer's undertaking not to compete with Teva or other customary covenants.
  - **Change in control:** Upon termination of service or employment by the Company or, in certain circumstances by the executive officer, during the one year period following a change in control event as defined in Teva's 2020 Long-Term Equity-Based Incentive Plan or any subsequent shareholder approved plan, an additional cash award of up to \$1.5 million or with respect to the CEO, one times the CEO's annual base salary upon termination. Such "double-trigger" arrangements may be granted in addition to any other post-service or employment arrangement, including equity benefits.
  - **Medical benefits:** Continuation of medical and life insurance benefits for an executive officer and family for a period of up to 18 months following termination of service or employment.
  - **Acceleration, continued vesting and exercisability of equity-based compensation:** The acceleration or continued vesting of equity-based compensation awards, as well as the post-termination exercise period for vested stock options, following termination of service or employment.

**Internal fairness:** The Company will review relevant internal ratios between executive officer compensation and the compensation of other employees, specifically the average and median values of other employee compensation, and its potential effect on the Company's labor relations in connection with the review and approval of compensation to executive officers.

**Other variable compensation parameters:** The Committee and the Board have the right to reduce any executive officer's variable compensation due to special circumstances as determined by the Committee and the Board. In addition, unless a larger proportion is permissible under applicable law and subject to the discretion of the Committee and the Board, no more than 20% of an executive officer's total variable compensation at target shall be discretionary and/or subject to discretionary criteria.

**Non-material changes to executive officers' terms:** Unless otherwise determined by the Committee and the Board, the CEO will be authorized to approve changes to terms for any other executive officer, provided that the value of such changes with respect to any calendar year does not exceed the value of such executive officer's one month base salary.

**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 were 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 Company), the Company 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, including by means of an offset to, or cancellation of, outstanding grants or opportunities.

The Company will determine applicable terms to enforce repayment of clawback amounts and may modify this clawback policy in accordance with applicable law and regulations.

## **Non-Employee Director Compensation**

**Objectives:** Teva aims to attract and retain highly talented directors with outstanding educational background, qualifications, skills, expertise, professional experience and achievements, by providing a fair and competitive compensation program. This policy governs compensation to non-employee directors; any management or other employee directors will not receive separate compensation for their service as a director of the Company.

When considering director compensation, the Committee and the Board will review those matters mandated by Israeli law, and may review benchmarking data with respect to compensation of a peer group defined by Teva. The Committee and the Board may also consider directors' previous and existing compensation arrangements, as well as changes in the scope of their duties or responsibilities.

Director compensation shall be subject to shareholder approval to the extent required under applicable law.

**Elements:** Director compensation may be comprised of one or more of the following elements:

- **Board membership fee.** Directors will generally be entitled to receive an annual cash payment by virtue of their membership on the Board;
- **Committee membership fees.** Directors will generally be entitled to receive an annual cash payment by virtue of their membership on one or more committees of the Board, which payments may vary by committee;
- **Board/committee chairperson fees.** The chair of the Board and/or the various committees of the Board may also receive additional annual cash payments for their extra service in such capacities;
- **Annual equity-based compensation.** Directors may also receive equity-based awards, which are intended to align directors' interests with those of the Company and its shareholders over the long term. Such awards will generally be granted on an annual basis with a fixed grant date fair value and a time-based vesting or holding period of no less than one year from the date of grant which may be accelerated upon termination of service, all as approved by the Company's shareholders from time to time; and
- **Special contribution award/Additional fee.** Any director who takes on increased duties on behalf of the Company as determined by the Board may receive additional cash payments and/or equity-based awards, in recognition of their increased duties.

The above compensation is designed to compensate directors for their services to the Company, without payment of additional per-meeting fees. Applicable value-added tax will be added to such compensation in accordance with applicable law.

Teva will reimburse or cover its directors for expenses (including travel and related expenses) incurred in connection with Board and committee meetings or performing their services for Teva in their capacity as directors, in accordance with Company policy.

## **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, 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.