

## **BioLineRx Ltd. Compensation Committee Charter**

### **1. Introduction**

#### **1.1 Purpose of the Charter**

This Charter sets forth the responsibilities and work procedures of the Compensation Committee (the “**Committee**”) of the Board of Directors of BioLineRx Ltd. (the “**Company**”). The Committee was established as required by Amendment No. 20 to the Companies Law, 5759-1999 (the “**Law**”).

Adoption of a Charter is intended, among other things, to assist the Committee and the Company in meeting the requirements of the Law and in reducing the risks related to matters of compensation of directors and officers.

#### **1.2 Definitions**

Unless otherwise defined in this Charter, all terms used in this Charter which have their source in the Law shall have the same definitions as those assigned in the Law.

#### **1.3 Persons responsible for implementation of the Charter**

**Board of Directors** (the “**Board**”) – responsible for appointing the members of the Committee and for approving this Charter and any amendments thereto. In addition, the Board is responsible for reviewing the Company’s Executive Compensation Policy (the “**Policy**”), ensuring that the Policy meets the requirements of the Law and approving the Policy.

**Chairperson of the Committee** – responsible for implementation of this Charter and for amending it in response to changes in the unique circumstances of the Company and to applicable regulatory changes.

**Company Secretary** – responsible for documenting this Charter and its approval and for making it available as required by Company procedure. In addition, the Secretary is responsible for recording the minutes of Committee discussions, recommendations and decisions, for distributing such minutes to the relevant persons and for keeping the minutes on file at the Company.

**General Counsel** – responsible for ensuring that the discussions, decisions and recommendations of the Compensation Committee, as well as any approval processes, are in accordance with the latest regulatory provisions. In addition, the General Counsel will

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update directors, officers and anyone responsible for the implementation of this Charter concerning relevant regulatory updates.

#### **1.4 Amendment of the Charter**

The Committee shall review and reassess the adequacy of this Charter on an annual basis and recommend any necessary amendments to the Board.

## **2. Appointment, Replacement and Composition**

### **2.1 Appointment and replacement of Committee Members**

The Board will appoint the Committee's members (the "**Members**" or, individually, each a "**Member**") according to the requirements of the Law, and the Members will serve at the discretion of the Board. Dismissal of a Member and appointment of a substitute Member to fill a vacancy require approval by the Board, subject to the requirements of the Law.

### **2.2 Composition**

The Committee shall consist of no fewer than three Members.

The Members of the Committee shall meet the requirements of the Law, which are as follows:

- all external directors will serve as Members and will constitute the majority of Committee;
- the remaining Members will be directors whose terms of service will be determined in accordance with Section 244 of the Law (provisions regarding remuneration of external directors); and
- the chairperson of the Committee will be an external director.

The following persons are prohibited from being Members:

- the chairman of the Board;
- any director who is employed by the Company or is employed by a person or entity controlling the Company or by an entity in control of such a controlling person or entity;
- a director who provides services on an ongoing basis to the Company, to a person or entity controlling the Company or to a person or entity controlled by such controlling person;

- a director who derives most of his/her earnings from a controlling entity; and
- a controlling person or his relative (as defined in the Law).

At the time of initial approval of this Charter, the Members are the directors specified below and the composition of the Committee meets the requirements of the Law:

- Nurit Benjamini, external director
- Dr. Raphael Hofstein
- Dr. Avraham Molcho, external director

Ms. Benjamini was appointed as chairperson of the Committee.

### **3. Functions and Responsibilities**

The following functions are set forth as the minimum requirements with the understanding that the Committee may take on added responsibilities as appropriate given the circumstances. The Committee may carry out these activities either through the Members themselves or through advisers.

#### **3.1 Recommendations to the Board concerning the Executive Compensation Policy**

The Committee will prepare a Policy for discussion by the Board and make recommendations to the Board concerning adoption of the Policy. The Committee must ensure that the following considerations are taken into account in drafting the recommended compensation policy (Section 267B(a) of the Law):

- the Policy promotes the Company's objectives, its operating plan and its long-term policies;
- the Policy promotes the creation of proper incentives for Company officers, considering, among other matters, the risk management policy of the Company;
- the Policy is suitable for the size of the Company and the nature of its activities; and
- the variable component of the Policy (if any) correlates to the officer's contribution to achievement of the Company's objectives and maximization of its profits, both from a long-term perspective and according to the specific function of the officer.

#### **3.2 Amendment and renewal of the Policy**

The Committee will examine the need to amend the Policy and make recommendations to the Board if it considers amendments to be advisable. The Committee will review and

reassess the adequacy of the Policy on an annual basis. If the term of the Policy exceeds three years, the Committee will make recommendations to the Board once every three years regarding continued approval of the Policy

### **3.3 Implementation of the Policy**

The Committee will review implementation of the Policy. Since the Committee is identical in its composition to the Audit Committee of the Board, it is responsible for review of the Policy's implementation as part of the annual internal audit program.

### **3.4 Determination and assessment of remuneration model for each of the relevant officers**

For each of the officers as defined in the Policy, the Committee will determine a remuneration model that takes into account, among other things, the following matters (as set forth in Schedule 1A, Part A of the Law):

- education, skills, expertise, professional experience and achievements of the officer;
- the role of the officer, fields of responsibility and previous wage agreements signed with him/her;
- the ratio between the service and employment terms of the officer and the wages of other Company employees and contract workers employed at the Company, especially the ratios to the average wage and the median wage of such employees and the effect of gaps between them on labor relations at the Company;
- if the employment terms include variable components – the option of reducing variable components at the discretion of the Board and the possibility of determining a ceiling for the value of non-cash, equity-based variable components; and
- if the employment terms include retirement grants – the employment period of the officer, his/her employment terms during such period, the Company's performance during such period, the officer's contribution to achievement of Company objectives and maximization of its profits, and the circumstances of the officer's resignation.

### **3.5 Approval of transactions and exemptions**

The Committee is responsible for approval of transactions according to the Law, including:

- transactions with an officer (including the CEO), who is not a director of the Company, regarding such officer's employment terms;

- transactions with a director regarding his/her employment terms; and
- transactions with a controlling shareholder regarding employment terms.

Approval by the Committee of the foregoing types of transactions will be in accordance with the Policy. However, the Committee and Board are permitted, in special cases, to approve a transaction that is not in accordance with the Policy, upon fulfillment of both of the following conditions:

(a) the Committee, and then the Board, approve the transaction based on, inter alia:

- the considerations that any executive compensation policy must take into account as set forth in Section 267B(a) of the Law (see section 3.1 of this Charter); and
- the matters that any executive compensation policy must refer to as set forth in Schedule 1A, Part A of the Law (see section 3.4 of this Charter),

*provided that* the transaction includes, inter alia, terms that must be established in any executive compensation policy (as set forth in Schedule 1A, Part B of the Law); and

(b) the shareholders approve the transaction by the majority required by the Law for approval of an executive compensation policy.

The Committee may decide to exempt a proposed transaction with a candidate for the position of CEO, from the requirement of approval by the shareholders, provided that all the conditions for such exemption set forth in the Law are fulfilled.

### **3.6 Collection of substantiating information**

In drafting the Policy and the specific compensation models, the Committee will rely on the knowledge and experience of its Members, as well as on any external sources of information they deem relevant. These sources include, among others:

#### **Reports on compensation trends in the market**

Gathering and analysis of information on trends in compensation will be performed after definition of the Company's peer group, with specific reference to the Company's officers. The Committee has arrived at the relevant peer group of publicly traded companies by looking at numerous criteria, including but not limited to:

- industry and sub-industry
- business scope and dimension

- market capitalization
- number of employees
- size and breadth of product offering
- unique professional skill-sets required
- regulatory environment
- location

### **Comparison to Company data**

Information is to be gathered and compensation is to be analyzed (both individual components of compensation and compensation as a whole) according to defined ratios such as those referred to in section 3.4 of this Charter

Details as to the analyses already performed and those to be performed in the future are contained in the Policy.

### **Measurement of actual performance as compared to goals**

Criteria for measurement are specified in the Policy.

## **3.7 Retention of advisers**

The Committee has the authority to obtain advice and assistance from outside legal counsel and other advisers as deemed appropriate to perform its duties and responsibilities. The Committee will examine the qualifications of the adviser (i.e., skills and experience) and will ensure that such adviser is independent of the persons who are the subject of the adviser's recommendations (i.e., the Company's directors and officers).

The Committee will select advisers following recommendation by Company management and subject to the approval of all external directors, in order to ensure that the advisor is an independent entity. The Company will provide funding, as determined by the Committee, for compensation of any advisers that the Committee retains and for ordinary administrative expenses of the Committee.

## **4. Work Procedures of the Committee**

### **4.1 Meetings**

The Committee will convene as needed in order to carry out its responsibilities according to the Law and this Charter, and not less frequently than once a year.

No person not entitled to be a member of the Committee may be present at Committee meetings during discussions and decision-making, unless the chairperson of the Committee decides that such person is required for presentation of a certain matter. However:

- (a) a Company employee who is not a controlling shareholder or relative thereof may be present at Committee meetings during discussions, provided that the employee is not present when the decision is made; and
- (b) without derogating from paragraph (a), the general counsel and Company secretary, neither of whom are a controlling shareholder or relative thereof, may be present at Committee meetings during discussions and decision-making if the Committee so requests.

#### **4.2 Documentation and document retention**

Pursuant to sub-chapter H of the Law, the Company Secretary will prepare minutes of Committee meetings, and such minutes will be retained at the Company's registered office for seven years following the meeting.

Minutes signed by the director who chaired the meeting constitute *prima facie* evidence of the proceedings at a meeting.

#### **4.3 Reporting to the Board**

The Committee will report to the Board from time to time, and not less frequently than once a year (preferably during the fourth quarter), regarding, inter alia, the following matters

- compensation actually paid to directors and officers, demonstrating how the principles of the most current Policy approved by the shareholders were complied with;
- achievement by the officers of objectives set by the Policy and payment of compensation according to achievement of these objectives as approved by the Committee;
- current compensation benchmarking in relation to the peer group;
- amendment of the Policy; and
- any exemption from approval by the shareholders (section 3.5 of this Charter) and the justification therefor.

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**Appendix – Schedule for management of Committee tasks**

<u>Activity</u>	<u>Relevant Law Section</u>	<u>Suggested Frequency</u>
Ensuring that Committee members meet the requirements of the Law	Sec. 118A(b)-(c)	Annually
Review of services of advisers (legal, economic, organizational or other)	N/A	Ad hoc
Reporting to the Board on Committee activity	118B	As needed and at least annually
Amendment of Policy	118B	Annually

Approved by Board of Directors on June 26, 2013

Date of last update: June 25, 2013

Responsibility for maintenance and updating of Procedure and appendices: General Counsel

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