

*Revised April 18, 2016*

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

This document sets forth the compensation 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. Pursuant to the Israeli Companies Law, shareholder approval is generally required to approve compensation for 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 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.

### **Compensation Philosophy**

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 countries all over the world, with employees worldwide, a majority of whom are employed outside of Teva's home country, Israel.

Teva seeks to bring safe and effective medicines to the world through the quality of its people and its products. Teva's commitment to patients and its dedication to making a positive and meaningful difference guide its actions.

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 drive Teva's day-to-day behavior and decisions.

To remain competitive, Teva must attract and retain highly talented professionals with the necessary skills and capabilities to promote creativity and manage global operations while embodying such values. Due to Teva's unique position as an Israeli company with an extensive global footprint, it aims to adopt compensation policies and procedures that match those of similar global companies, 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) link pay to 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 that motivates executive officers.

***Pay-for-performance:*** Teva aims to incentivize its executive officers by creating a strong link between their performance and compensation. 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 Teva's results and returns to shareholders.

***Alignment of 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 short- and long-term) while taking into account Teva's compliance and risk management philosophy and avoiding undue pressure on executive officers to take excessive risks, thereby 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 terms. 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, encourage high achievement, 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.

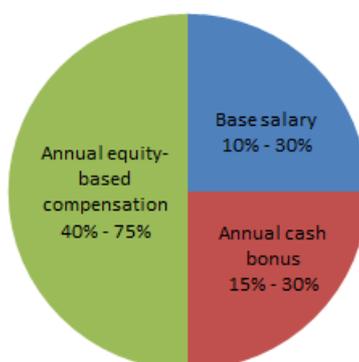
### Compensation Elements

Teva’s executive officers’ compensation packages may be 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 bonuses and annual equity-based compensation of 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 and assume that all compensation elements described in the chart above are granted with respect to a given 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.

The target pay 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 different circumstances that 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 also deem it appropriate 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.

Unless a larger portion 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 shall be discretionary.

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 based on such factors, among others, as Teva's size, global footprint, nature of activities and competitors for similar talent, as well as the relevant geographical location, as further described under "External and Internal Considerations" on page 10 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.

### **Cash Bonuses**

**Purpose:** The cash bonus component aims to ensure that Teva's executive officers are aligned in reaching Teva's short- and long-term goals. Cash bonuses are designed to provide a significant pay-for-performance element of Teva's executive compensation package.

**Annual cash bonuses:** Payout eligibility and levels of annual cash bonuses are determined based on actual financial and operational results, as well as individual performance. Following approval of the Company's annual operating plan 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 annual operating plan and any 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 (other than with respect to the CEO) in three main areas:

- Between 50% and 60% – 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 20% and 30% – 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 the U.S. market; and
- Between 20% and 30% – evaluation of the executive officer's individual performance based on quantitative and qualitative performance measures, such as forming and implementing the Company's strategy, leadership and team collaboration, and which may also be based on a discretionary evaluation of such executive officer.

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

Teva's CEO's performance will be measured as follows:

- Between 70% and 85% – overall company performance measures, similar to those determined for other executive officers (as described above), reflecting the importance of the CEO's leadership role and the CEO's responsibility for and contribution to overall company performance; and
- Between 15% and 30% – evaluation of the CEO's performance based on the Committee's and the Board's discretion and/or on quantitative and qualitative performance measures.

Notwithstanding anything to the contrary herein, unless otherwise determined by the Committee and the Board, at least 80% of the annual cash bonus granted to an executive officer, including the CEO, shall be comprised of specific quantitative and qualitative performance measures using key performance indicators.

**Parameters:** 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 85% of an executive officer's performance measures (or 90% with respect to the CEO) in a given calendar year calculated on a weighted average basis 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 up to 100% of the executive officer's annual base salary. The target bonus for the CEO will be up to 140% of the CEO's annual base salary.
- **Maximum bonus:** the maximum bonus, which is the maximum annual cash bonus amount that an executive officer, including the CEO, 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 base 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 annual cash bonus payout in the event that an executive officer achieves less than 100% (but no less than 85%, and with respect to the CEO, no less than 90%) 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 to receive 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 and earnings per share ("EPS")) and/or as a parameter that is relative to a peer group (*e.g.*, a comparison of Teva's EPS to the peer group EPS, or Teva's total shareholder return ("TSR") to the 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.

**Special cash bonuses:** In addition to the annual cash bonus, in special circumstances, the Committee and the Board may determine that an executive officer is also entitled to other cash bonuses in recognition of a significant achievement or for completion of an assignment. Such cash bonuses provide Teva the flexibility to adapt to unexpected or unaccounted for events or occurrences. Accordingly, the Committee and the Board may:

- grant such other cash bonuses for which the conditions for receipt and the method of calculation are determined in advance; or
- grant such other cash bonuses for significant or extraordinary achievements or efforts that produce an exceptional result.

The total amount of special cash bonuses awarded to an executive officer for any given calendar year will not exceed 50% of such executive officer's annual base salary.

### **Equity-Based Compensation**

**Purpose:** Equity-based compensation is intended to reward for future performance, as reflected by the market price of Teva's 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 a longer performance cycle through the vesting period mechanism.

**Equity-based awards:** 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 or due to special retention needs. 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.

**Parameters:** Equity-based awards will be granted pursuant to Teva's 2015 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 consistent 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, restricted stock, restricted stock units and/or other share-based awards.
- **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 performance vesting criteria for performance-based equity awards will be based on measurable performance criteria, such as financial and/or non-financial parameters, which may be determined as an absolute parameter (e.g., EPS, TSR, stock price and strategic goals) and/or a parameter that is relative to a peer group (e.g., ratio of Teva's TSR to the peer group TSR). These types of awards may include performance stock units, shares and/or other share-based awards.
- **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 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-based 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 annual equity-based compensation granted to executive officers, based on the CEO's recommendation. The CEO will also recommend how to allocate the annual equity budget among the other executive officers, subject to approval by the Committee and the Board. In circumstances determined by the Committee and the Board (*e.g.*, regulatory changes or 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 maximum monetary grant value of the annual equity-based compensation granted to the CEO shall not exceed \$6 million and to any other executive officer \$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.

***Executive stock ownership guidelines:*** Teva will maintain a stock ownership policy, under which executive officers are required to hold Teva stock, as defined under the applicable guidelines, in an amount representing a multiple of base salary, a target number of Teva shares or another appropriate ownership guideline structure.

**One-Time Grants**

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, promotion or due to special retention needs.

**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 any required Company approvals. 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 and accommodations, telecommunication devices, media and computer equipment and expenses, travel and relocation (including family-related expenses, such as tuition and commuting) and life and medical insurance and benefits (including for one's family).

### **Termination 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:** Termination of service or employment arrangements will be determined based on the circumstances of such termination (whether upon retirement, resignation, termination by the Company or otherwise), 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 one or more of the arrangements described below. 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 termination arrangements in a wide range of circumstances, including geographic location, and does not reflect any intention 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 his or her 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 (other than upon termination for cause) of up to the greater of (i) one times the executive's annual base salary; (ii) the minimum amount required under applicable law; and (iii) any amount provided under the executive officer's employment agreement entered into prior to the Company's 2016 annual general meeting of shareholders.

- **Non-compete:** an amount equal to up to one times the executive's annual base salary (and for the CEO, two times the CEO's annual base salary) 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" during the one year period following a merger, either (a) up to \$1.5 million, or (b) through an increase of severance payments by an amount not to exceed six months of the executive's base salary (and for the CEO, one times the CEO's annual base salary). 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 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 who have served in their position for ten years or more, in special circumstances determined by the Committee and the Board at or about the time of termination, a special one-time payment upon termination in an amount not to exceed two times the executive's annual base salary, in acknowledgment of their special contribution to the Company and the circumstances of termination, as determined by the Committee and the Board.

**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 that compete with Teva for similar talent. Consequently, due to Teva's status as a large global company with its headquarters in Israel, the Committee and the Board will evaluate executive officer compensation against survey and market data of companies of similar size, financial and/or other characteristics, which may include the following:

- Large pharmaceutical companies in North America and Western Europe;
- other global pharmaceutical companies;
- other companies in North America and Western Europe;
- companies in relevant geographic locations, including Israel, that compete with Teva for similar talent.

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 factors 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 operations worldwide and with many of its executive officers and a 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 responsibilities. Due to the large variations in customary pay levels, compensation practices and mandatory compensation requirements among 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, taking into account 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, specifically the average and median values of all other employee compensation, and its potential effect on the Company's labor relations. Where they deem appropriate, the Committee and the Board will review internal ratios between executive officer compensation and that of other employees in relevant geographies as well.

For purposes of this policy, the Committee and the Board examined, among other things, the ratio between the overall compensation of the executive officers and the average and median compensation of other Teva employees (including those employed by third-party employment agencies), as well as the possible impact of such ratio on the work environment in Teva, in order to ensure that levels of executive officer compensation will not negatively affect Teva's labor relations.

***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. Accordingly, the Committee and the Board may, in their sole discretion, approve compensation terms that are lower than the thresholds and benchmarks described herein.

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

**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 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 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 and may modify this clawback policy in accordance with applicable law and regulations.

#### **No-Hedging Policy**

Under Company policy, directors and executive officers are prohibited 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 or selling options on Teva securities, purchasing or selling puts, calls, straddles, equity swaps or other derivative securities linked to Teva's securities or engaging in "short" sales on Teva securities. The no-hedging policy applies to each director and each executive officer until one year after such director or executive officers' termination or retirement.

#### **No-Pledging Policy**

Under Company policy, directors and executive officers are subject to certain restrictions on pledging or using their equity-based awards and any other Teva securities held by them (whether they are subject to transfer restrictions or not) as collateral for loans.

#### **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; and
- **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 made on an annual basis with a fixed grant date value, as approved by the Company's shareholders from time to time. Such awards will be granted to directors pursuant to Teva's 2015 Long-Term Equity-Based Incentive Plan and/or any other long-term incentive plan(s) that Teva may adopt in the future and pursuant to an award agreement setting forth the terms of the award, including, among others, time-vesting and/or holding periods, term, exercise price, if applicable, and acceleration of vesting under certain conditions, provided that the time-vesting or holding period will not be less than one year from the date of grant. Equity awards to directors may be in the form of restricted stock, restricted stock units, stock options and/or other share-based awards, as may be determined by the Company from time to time.

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's Chairman, Vice Chairman (if one is appointed) and any other directors who take on increased duties on behalf of the Company may receive different cash payments and/or equity-based awards, in recognition of their increased duties.

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

**Perquisites:** Directors will be entitled to certain perquisites having an aggregate monetary value of no more than \$10,000 per year, per director.

**Statutory/designated independent director compensation:** 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 designated independent directors, if appointed by the Company. These regulations provide that the compensation of these statutory independent directors and designated independent directors may be determined relative to that of "other directors" of the Company (as defined in the relevant regulations). Accordingly, and until otherwise determined, the compensation of any statutory and designated independent directors will be relative to that of such other directors so that, if

during their term as statutory or designated independent directors, the Company changes the remuneration payable to other directors, including equity-based compensation, the remuneration for each statutory independent director and designated independent director will be adjusted without further approval, so that it will be equivalent to the average remuneration payable to such other directors, all subject to Israeli law.

Statutory independent directors and designated independent directors may be entitled to a higher remuneration if classified as “experts” in accordance with regulations promulgated under the Israeli Companies Law.

### **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.

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