

## The incentive program no. 29 - Innovation Labs Program

### 1. General

- 1.1 The Israel Innovation Authority (hereinafter: the “**Innovation Authority**”) supports and promotes, whether directly or indirectly, technological innovation in Israel’s industry, through the its various tracks, tools and activities.
- 1.2 The incentive program no. 29 - Innovation Labs Program (hereinafter: the “**The incentive program**”) will allow Specialist Companies, through Innovation Labs, to implement “open innovation” processes, and assist them in growing and establishing themselves in Israel, and reinforce Israel’s unique innovation environment, thereby promoting and reinforcing Israel’s industry, specifically, and Israel’s economy as a whole, while also assisting startup companies in unique technological sectors that require access to technological infrastructures such as advanced means of production or development or market validation and access to marketing channels, or unique knowledge or expertise, in order to formulate and test products, prove technological feasibility, execute pilots, etc.
- 1.3 The Innovation Labs, as defined in Section 2.16 below, will be established and operated by corporations with unique technological infrastructure, knowledge and expertise in Israel or abroad, which are not currently available to entrepreneurs in Israel.
- 1.4 The assistance to be granted under the incentive program will be given to both the Innovation Labs and the lab's companies operated under it.
- 1.5 Under this incentive program, it will be possible to operate sub-tracks, which will be detailed in the appendices to this incentive program. The sub-tracks will allow the establishment of Innovation Labs in designated sectors, in collaboration with government entities, for the purpose of making the assets and/or services and/or information possessed by such entities available to the Innovation lab and the lab's companies. The provisions of this incentive program will apply to the sub-tracks, unless explicitly stated otherwise in the sub-track itself.

### 2. Definitions

In this incentive program, the following terms will have the meaning appearing in this section, unless explicitly stated otherwise in the incentive program itself.

#### 2.1 “Peripheral Region”

Development Regions A and B, as determined pursuant to Section 40D of the Encouragement of Capital Investment Law, 5719-1959;

#### 2.2 The “Website”

The Innovation Authority’s website;

### 2.3 “Relevant Government Entity”

The government entity collaborating on the sub-track detailed in the appendix to the incentive program.

### 2.4 “Recognized Expenses”

2.4.1 Expenses for building the technological infrastructure and the ongoing operations of an innovation lab, which, as determined by the Committee in the procedures, may be taken into account;

2.4.2 Expenses for conducting research, development, marketing, commercialization and other recognized operations of a lab's project, which, as determined by the Committee in the procedures, may be taken into account;

### 2.5 The “Committee”

As this term is used in Section 3 below, which will serve as the Research Committee (as this term is used in the Innovation Law) for the purposes of this incentive program;

### 2.6 “Lab's Company”

A private company legally incorporated in Israel and operating pursuant to the laws of the State of Israel, which will work to implement and commercialize the lab's project;

### 2.7 “Specialist Company”

A corporation, whether or not incorporated under the laws of Israel and operating pursuant to the laws of Israel, which possesses unique technological infrastructure, knowledge and expertise in Israel or abroad, which are not currently available to entrepreneurs in Israel;

### 2.8 “Industrial Company”

A Specialist Company that performs physical or chemical transformation of materials or components into new products, using machines, which includes *inter alia* the following industries: textile, wood, plastic, rubber and their products, food and beverage, metal and its products, building materials, electrical equipment, motor vehicles.

### 2.9 “Technological Innovation”

As this term is defined in the Innovation Law;

### 2.10 The “Innovation Law”

The Encouragement of Research, Development and Technological Innovation in Industry Law, 5744-1984;

### 2.11 “Entrepreneur”

An individual/s with a technological concept, that desire/s to develop it into a commercial product as part of a Lab's Company;

#### 2.12 **“Research”**

As this term is defined in the Innovation Law;

#### 2.13 **“Complementary Funding”**

Funding not from the Innovation Authority or the state, which completes to 100% the recognized expenses approved by the Committee;

#### 2.14 **“Sub-Track”**

One of the sub-tracks of the incentive program, which will be detailed in the appendices.

#### 2.15 **“Grant”**

Any of the following:

2.15.1 Funding provided by the Innovation Authority to an Innovation lab for the purpose of establishing the technological infrastructure, as detailed in Section 6.1 below;

2.15.2 Funding provided by the Innovation Authority to an Innovation lab for the purpose of operating the Innovation lab, as detailed in Section 6.3 below;

2.15.3 Funding provided by the Innovation Authority to a lab's Company for the purpose of funding the execution of an approved Lab's project, as detailed in Section 7.6 below;

#### 2.16 **“Innovation lab”**

A corporation legally incorporated in Israel and operating pursuant to the laws of the State of Israel for profit purposes, which is capable of providing corporations legally incorporated in Israel and operating pursuant to the laws of the State of Israel, including lab's companies, with unique access to technological infrastructures and/or understanding of the market and marketing channels and/or knowledge and/or expertise, for the purpose of their success;

#### 2.17 **“Bidder”**

A corporation which is a Specialist Company or which is held, whether or directly, at a rate of 30% or more (on a fully diluted basis) by at least one Specialist Company, which submits a proposal under a competitive process for the establishment and operation of an Innovation lab, as detailed in this incentive program;

#### 2.18 **“Development”**

As this term is defined in the Innovation Law;

#### 2.19 **“Lab's project”**

A project approved by the Committee pursuant to the provisions of this the incentive program, which is based on a Plan, as this term is defined in the Innovation Law;

#### 2.20 **“Approved Budget”**

The total budget of a lab's project which consists of the Grant and the Complementary Funding, as approved by the Committee;

### **3. The Committee**

#### **3.1 The Committee's Composition**

- 3.1.1 Head of the Innovation Authority - Member and Chairman of the Committee;
- 3.1.2 General Manager of the Innovation Authority - Member and Deputy Chairman of the Committee;
- 3.1.3 Three employees of the Innovation Authority to be appointed by the General Manager of the Innovation Authority - members;
- 3.1.4 An employee of the Ministry of Economy and Industry with an academic degree in fields related to the Committee's work, who will be appointed by the General Manager of the Ministry of the Economy and Industry - member;
- 3.1.5 Representative of the Budget Commissioner of the Ministry of Finance to be appointed by the Minister of Finance - member;
- 3.1.6 Representative of the Accountant General of the Ministry of Finance to be appointed by the Minister of Finance - member;
- 3.1.7 Four representatives from the public - members.

#### **3.2 The Committee's Functions and Powers**

The Committee will have the power to passing any resolution required for the purpose of operating the incentive program (insofar as these do not contradict the provisions of the Innovation Law, the Regulations, the rules, the procedures and the provisions enacted under it), including:

- 3.2.1 To examine proposals submitted as part of competitive process for the establishment and operation of innovation labs pursuant to the threshold conditions and criteria, and to rank these, select among them and approve their operation.
- 3.2.2 To perform any action for the purpose of examining and assessing the Bidders' representations, including with respect to the manner of operating the Innovation lab and executing the lab's project.
- 3.2.3 To determine the conditions for the establishment and operation of an Innovation lab, including milestones and timetables. The milestones may also be based on compliance with the representations presented by an innovation lab as part of the competitive process.
- 3.2.4 To approve or reject, in full or part, pursuant to procedures determined by the Committee, any change that an innovation lab requests to make compared to its original proposal.
- 3.2.5 To monitor the innovation lab's performances and to decide whether to determine terms and milestones for it, to cancel the approval that it was given, or to cease its support pursuant to the provisions of Section 10 below.

- 3.2.6 To examine, approve or reject applications for approval of Lab's projects, and as part of this to approve the submitted budgets in full or part, and set conditions for their approval.
- 3.2.7 To monitor the lab's project's performances and to decide whether to set terms and milestones for it, to cancel the approval that was granted, or to cease its support pursuant to the provisions of Section 10 below.
- 3.2.8 To approve an extension of the execution period of a lab's project without a budget addition, until the approved budget is fully used.
- 3.2.9 To approve shortening the execution period of a lab's project insofar as the approved budget was used in full and the plan's objectives, as approved by the Committee, were realized.
- 3.2.10 To approve, for an innovation lab or a Specialist Company, rights in the new knowledge to be developed in the lab's project, pursuant to Section 8 of this incentive program and pursuant to procedures to be determined by the Committee.
- 3.2.11 To determine and publish procedures for the execution of this the incentive program.
- 3.2.12 To initiate surveys, research and any other activity which may assist the operation of this the incentive program.

### 3.3 Deputy Chairman of the Committee

- 3.3.1 One of the Committee members, from among the Innovation Authority's employees, to be appointed by the Head of the Authority and the General Manager of the Authority, will be empowered to serve as the substitute for the Authority's General Manager, in the position of Deputy Chairman of the Committee.
- 3.3.2 This employee of the authority may serve as the Deputy Chairman of the Committee subject to the written prior consent of the Head of the Authority, prior to the specific discussion by the Committee.

### 3.4 Remuneration

The Committee members from the public will be entitled to remuneration for their participation in Committee meetings, pursuant to a procedure to be determined by the Innovation Authority's Council on this matter.

## 4. Proceeding for selecting an Innovation Lab

### 4.1 Competitive process competitive process for selecting an innovation lab

- 4.1.1 A concessionaire will be selected in a competitive process pursuant to the provisions of this incentive program. A notice of a competitive process will be published on the Website and in the press (hereinafter: the "Notice"), pursuant to the following provisions:

- 4.1.2 As part of this the incentive program, those innovation labs will be selected that received the highest score in the competitive process. Any Notice published by the Innovation Authority will state whether it refers to a competitive process for selecting innovation labs, under this incentive program, or under any of the Sub-Tracks, and will also detail the maximum number of innovation labs that the Committee will be allowed to approve. In addition, the Innovation Authority will be allowed to restrict the sectors of activity in which the Innovation labs may operate, and this restriction will be included in the Notice to be published. In addition, the Innovation Authority will be allowed to give preference to a industrial company that participates in a competitive process, in case that the competitive process is not limited to the sectors of the manufacturing industry, and such preference will also be included in the Notice to be published.
- 4.1.3 The Committee will be selecting the innovation lab pursuant to the provisions detailed in this the incentive program. The selected Bidder will receive a notice to this effect and will have to sign a letter of undertaking in a format to be determined by the Committee. The confirmation of winning will enter into effect after signing such a letter of undertaking and the issue of a confirmation by the Innovation Authority for the Innovation lab that won the competitive process, for a concession period of 3 years of the confirmation's date (hereinafter: the "Concession Period").
- 4.1.4 Notwithstanding the provisions of Section 4.1.3, if the innovation lab that was selected does not start performing its obligations within six months of the date of the Committee's resolution on the selection under the incentive program, this after the Innovation lab receives a letter stating the non-performance of its obligations and fails to correct this failure pursuant to the Committee's demand within 45 days of the date of the letter, the Committee will be allowed to cancel the selection or select the innovation lab candidate ranked after it, which did not win the competitive process ,according to the ranking order of the competitive process .
- 4.1.5 Under the Notice, it will be possible to send questions and clarifications regarding the process of selecting the Innovation lab, until the date published in the Notice. Answers to such questions will be published on the website starting from a date to be announced in advance, inasmuch as possible without exposing the identity of the submitter of the question or clarification. Such answers will form an integral part of the competitive process for the selection of an Innovation lab, detailed in the incentive program, and must be read together with these provisions.
- 4.1.6 It is clarified, that one Bidder may submit several proposals for several Innovation Labs in the same competitive process. Each proposal will stand alone and the Bidder will be required to comply with all conditions set forth in the incentive program and the

procedures regarding each of the proposals, including separate payment of processing fees and a separate submission guarantee. In addition, it is clarified that in such a case, only one proposal from the Bidder, at most, may be selected as part of the competitive process, subject to the provisions of Section 4.1.2 above.

- 4.1.7 The Committee is not obligated to complete the Innovation lab selection process or to make a selection within a certain period of time, however if such proceedings are not concluded after 180 days of the deadline for submitting proposals, the Bidder may cancel its proposal and receive the submission guarantee back. However, if the Bidder cancelled its proposal before 180 days elapsed from the deadline for submitting proposals, the Committee may foreclose the guarantee that it attached to its proposal.
- 4.1.8 Without derogating from the foregoing or from any remedy or right granted to the Innovation Authority, the proposal with the highest score from among those that did not win the competitive process will remain in effect for 180 additional days after the end of the competitive process, this in case the winning Bidder retracts its proposal or violates its obligations or in any other case that the winning of the winning Bidder is not realized. In such circumstances, the Committee will be allowed (but not obligated), at its exclusive discretion, to declare the Bidder of the proposal ranked next, which did not win the competitive process, as the winner of the competitive process.
- 4.1.9 A notice on the cancellation of a proposal for the selection of an Innovation lab will be delivered in writing to the Innovation Authority.
- 4.1.10 The Committee may decide not to take into consideration any unreasonable proposal.
- 4.1.11 The Committee or any person on its behalf may approach the Bidder, in the course of the examination and evaluation, to receive clarifications for their proposals or to remove any ambiguity which may arise in the course of the proposals' examination.
- 4.1.12 In case no proposal was submitted under the competitive process, it will be possible to embark on a new competitive process.

## 4.2 Threshold Conditions

The Bidder must meet all of the following **cumulative** conditions: It is clarified and emphasized that failure to meet one of the threshold conditions is enough to disqualify the proposal as a whole:

- 4.2.1 The Bidder is an Israeli corporation legally incorporated in Israel and operating pursuant to the laws of the State of Israel.
- 4.2.2 A Specialist Company, whether it is the Bidder itself or one of the Bidder's shareholders, will be the employer of at least 100 employees, as of the date of submitting the proposal, and the

scope of its sales will be at least ILS 100 million in the calendar year preceding the year in which the competitive process was published. It is clarified that it is impossible to consolidate several Specialist Companies in order to meet this threshold conditions.

- 4.2.3 The Bidder submitted a submission guarantee at the amount of ILS 100,000 as detailed in Section 4.3 below.
- 4.2.4 The Bidder paid the processing fees for the proposal of ILS 5,000 as detailed in Section 4.4.4 below.
- 4.2.5 The Bidder or any of its shareholders do not have limited accounts and are not in process of receivership, suspension of proceedings, liquidation etc.
- 4.2.6 The Bidder meets the requirements of the Encouragement of Research and Development in Industry Regulations (Stipulation of Approvals - Minimum Wage), 5771-2011.
- 4.2.7 The overall scope of holdings, both direct and indirect, of shareholders in the Bidder which are not-for-profit bodies, municipalities and academic or extra-academic research institutions, will not jointly exceed 33% (on a fully diluted basis), and they will not be controlling shareholders in the Bidder, whether jointly or severally.

### 4.3 Submission Guarantees

- 4.3.1 A Bidder will deposit an autonomous bank guarantee or a guarantee from an Israeli insurance company holding a license to deal in insurance pursuant to the Supervision of Insurance Businesses Law, 5741-1981, to the benefit of the Innovation Authority, pursuant to a format to be determined by the Committee in the track's procedures.
- 4.3.2 The Guarantee will be in effect until a date to be stated in the Notice to be published. The guarantee amount will be ILS 100,000 (one hundred thousand New Israeli Shekels only).
- 4.3.3 The attention of potential Bidders is drawn to the importance of submitting a proper and accurate guarantee pursuant to the format attached to the provisions of this track. Any deviation in the guarantee form (including a deviation that supposedly is beneficial to the Innovation Authority, such as a longer guarantee period, linked guarantee etc.) may cause the proposal's disqualification.
- 4.3.4 The Committee will be allowed to demand the extension of the guarantee period, as long as no decision is reached regarding the winner of the competitive process.
- 4.3.5 The guarantee will be in the Bidder's name only.
- 4.3.6 The guarantee's issue costs will apply to the Bidder alone.
- 4.3.7 Failure to attach the guarantee to the proposal is the same as failure to meet a threshold condition, and it will not be possible to attach it after the deadline for submitting proposals.

- 4.3.8 The Guarantee will be returned to the Bidders who do not win the competitive process.
- 4.3.9 If a Bidder cancelled its proposal before 180 days elapsed from the deadline for submitting proposals, the Committee may foreclose the guarantee that it attached to its application.
- 4.3.10 The Committee is not obligated to complete the Innovation lab selection proceedings or to select a winner within a certain period of time, however if such winning proceedings are not concluded after 180 days of the deadline for submitting proposals, the Bidder may cancel its proposal and receive the guarantee back.
- 4.3.11 The Innovation Authority will be allowed to foreclose the Guarantee if the winner does not start to perform or does not perform its obligations under these provisions and the Committee's resolution, this after the winner receives a notice on the failure to perform his obligations, and fails to correct this failure pursuant to the Committee's demand within 45 days of the notice date.
- 4.3.12 To assist Bidders, it is allowed that Bidders who desire submit a draft of the guarantee format for the Innovation Authority's approval, pursuant to the provisions of the Notice to be published.
- 4.3.13 If a Bidder submits the format as foregoing, the format will be examined by the Startup Division of the Innovation Authority, and will be returned to the Bidder with comments.
- 4.3.14 It is clarified, that this proceeding of examining the initial guarantee format will not derogate from the Bidder's liability for the adequateness of the guarantee that it submits, and will not bind or impose any liability on the Innovation Authority or any person acting on its behalf or in its name, neither directly nor indirectly, or restrict its discretion.

#### 4.4 **Proposal to serve as an Innovation lab**

The Bidder will complete the submission form pursuant to a format to be determined by the Committee in the track's procedures, and will attach to its proposal all of the following documents, cumulatively:

- 4.4.1 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.1 - the Bidder's certificate of incorporation.
- 4.4.2 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.2 - the declaration of the Specialist Company's authorized signatory, pursuant to a format to be determined by the Committee in the track's procedures.
- 4.4.3 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.3 - a submission guarantee, pursuant to a format to be determined by the Committee in the track's procedures.

- 4.4.4 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.4 - a receipt for a deposit with a bank whose details will be published in the Notice, in an ordinary payment voucher to the benefit of "Israel Innovation Authority, for participation in the competitive process under the incentive program no. 29", which will bear the Bidder's name. Any payment made after the deadline set for submitting proposals will not be accepted.
- 4.4.5 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.5 - the declaration of the authorized signatory of the Bidder and of each of its shareholders, confirmed by a lawyer, stating that none of them has a restricted account or is in a process of receivership, suspension of proceedings, liquidation etc., pursuant to a format to be determined by the Committee in the track's procedures.
- 4.4.6 To prove the Bidder's compliance with the threshold conditions as required in Section 4.2.6 - A declaration stating that the Bidder and the controlling shareholders therein are in compliance with their obligations regarding the protection of the rights of workers employed by the Bidder pursuant to the Minimum Wage Law, 5747-1987, and that they undertake to continue and protect such rights throughout the approval period.
- 4.4.7 The undertaking of the Bidder's authorized signatory, confirmed by a lawyer, to comply with the requirements of this The incentive program, pursuant to a format to be determined by the Committee in the track's procedures.
- 4.4.8 A report on the expected sources and uses for establishing the technological infrastructure and for the ongoing operations of the Innovation lab, for the duration of an activity period of three years, pursuant to a format to be determined by the Committee in the program's procedures.

#### 4.5 Criteria

The Committee will examine and consider only those proposals that meet the threshold conditions, pursuant to the following criteria: Wherever this section states that a Specialist Company will be examined, all Specialist Companies holding the Bidder will be examined (in case there is more than one Specialist Company holding the Bidder):

##### 4.5.1 **Scope and quality of the experience of the Bidder and its shareholders (20%)**

The score for this criterion will be given pursuant to the Committee's impression regarding the scope and quality of the experience of the Bidder and its shareholders, taking into consideration the rate of holding of the Specialist Company in the Bidder, as follows:

- 4.5.1.1 Preference will be given to a greater number of years of activity of the Specialist Company, and a greater scope of

activities in the proposed field of activity of the innovation lab.

4.5.1.2 Preference will be given to a greater market share (global) of the Specialist Company in the proposed field of activity. The examination of the market share will be performed in accordance with the proposed field of activity of the Specialist Company. i.e., a greater general market size will not lead to a higher score.

4.5.1.3 Preference will be given to a Specialist Company with a greater scope of R&D expenses in the last three years in general, and in the last calendar year in particular.

#### 4.5.2 **The added value of the Bidder and its shareholders (40%)**

The score for this criterion will be given pursuant to the Committee's impression regarding the expected added value of the Bidder and its shareholders to the lab's start-ups, taking into consideration the rate of holding of the Specialist Company in the Bidder, as follows:

4.5.2.1 Preference will be given to higher quality technological infrastructure which will be provided to the lab's start-ups, whether existing infrastructure or future infrastructure, and especially infrastructures that are not available in Israel as of the date of the proposals' submission for entrepreneurs in the proposed field of activity of the Innovation lab.

4.5.2.2 Preference will be given to a plan that presents a stronger mutually beneficial purpose between the Specialist Company and the lab's start-ups, and as part of this a detailed overview of the implementation of the open innovation model through the innovation lab.

4.5.2.3 Preference will be given to a plan that presents broader, more diverse and higher-quality support to the lab's start-ups, inter alia on the basis of the scope of level of the expected contribution of the research and development personnel of the Specialist Company to the lab's companies.

4.5.2.4 Preference will be given to an Innovation lab manager who has more relevant experience in the proposed field of activity, including in work with start-up companies.

#### 4.5.3 **Business plan (25%)**

The score for this criterion will be given according to the Committee's impression regarding the Bidder's business plan and its scope, quality and practicability.

4.5.3.1 Preference will be given to a proposal that demonstrates better compatibility and business and strategic partnerships of the Bidder and its shareholders with

Israel's innovation ecosystem in the proposed field of activity of the Innovation lab.

- 4.5.3.2 Preference will be given to a greater number of projects planned to be accepted annually at the innovation lab.
- 4.5.3.3 Preference will be given to a higher-quality marketing plan to attract lab's start-ups.
- 4.5.3.4 Preference will be given to a detailed, high-quality plan for building an innovation ecosystem in Israel for the proposed field of activity of the innovation lab.
- 4.5.3.5 Preference will be given to unique fields of activity that lack an available technological infrastructure in Israel for entrepreneurs.
- 4.5.3.6 Insofar as it is decided to give preference to a industrial company, pursuant to the provisions of Section 4.1.2 above, such preference will be given as part of this criterion.

#### 4.5.4 **General impression of the Committee members (15%)**

The score for this criterion will be given pursuant to the Committee members' general impression of the Bidder and the proposal. The Committee may summon the Bidders to present the proposal before the Committee members, pursuant to guidelines to be published by the Committee for all Bidders at the time of the competitive process 's publication.

#### 4.6 **Right to review the winning proposal and the Committee's minutes**

- 4.6.1 Upon submission of the proposal, a Bidder who believes that parts of its proposals include trade secrets and/or business secrets (hereinafter: "**Secretive Parts**"), who believes that other Bidders should not be allowed to review them after the competitive process:
  - 4.6.1.1 Will state explicitly, in a detailed list, the Secretive Parts of its proposals, and will explain its position;
  - 4.6.1.2 The Bidder will **attach** to its proposal a copy to be presented to the other Bidders, that includes only those parts that it agrees to expose to the other Bidders. I.e., with the Secretive Parts of its proposal blacked out clearly and unequivocally. For the avoidance of doubt, no parts of the proposal may be removed, but only the Secretive Parts may be blacked out.
- 4.6.2 A Bidder who failed to mark parts of its proposal as secretive will be considered to have agreed to the provision of the proposal as a whole for the review of other Bidders, if it is declared the winner of the competitive process ; marking parts of the proposal as secretive is an admission that such parts in the proposal are also secretive in the proposals of the other Bidders, and that therefore the Bidder waives in advance the right to review such parts of the other Bidders' proposals.
- 4.6.3 A Bidder that requests to review the competitive process documents (hereinafter: the "**Applicant**") will submit its application to the Innovation Authority within 30 business days of the date of

- the delivery of the notice regarding the Committee's selection of the winner in the competitive process that it participated in.
- 4.6.4 The Committee will be given exclusive discretion regarding the scope of the Bidder's right of review; if the Committee decides to allow a review of the detailed parts of the winner's proposal, even if it defined them as secretive, then the Committee will notify the winner of this and will allow the winner to file reservations within a period of time appropriate under the circumstances, at its discretion. If the Committee decides to reject the winner's reservations, it will inform the winner of this before delivering the material for the Applicant's review.
- 4.6.5 The Committee will allow the Applicant to review the materials permitted for review only, in the scope to be determined by it, within 30 work days of the date of receiving the review application.
- 4.6.6 The Committee may extend the foregoing period, in an explained decision to be sent to the Applicant within the foregoing period of time, if due to the scope or complexity of the requested information it is necessary to extend the period; the extension will not exceed the period of time required for the foregoing reasons, and in any case will not exceed 45 business days.
- 4.6.7 For the purpose of this section, the "documents permitted for review" - will mean the minutes of the Committee for the Selection of an Innovation lab (insofar as they are relevant to the winner of the competitive process that the Applicant participated in) and the documents of the winning proposal in the competitive process which the Applicant participated in.
- 4.6.8 The right of review will not apply to parts of the winner's proposal and/or the Committee's minutes, which constitute information which should not be disclosed or which there is no duty to disclose, pursuant to the provisions of Section 9 of the Freedom of Information Law, 5758-1998.

## **5. Duties of the selected innovation lab**

- 5.1 To act to create projects or identify existing projects, and afterwards examine and select projects appropriate for operation in the innovation lab.
- 5.2 To accept lab's companies, approved by the Committee, assist them in their execution period, and testing the product (technological proof of concept), in the examination of business applicability and preparations for marketing, and in executing a pilot, all this according to the needs of the lab's project and pursuant to the milestones set forth by the Committee.
- 5.3 To provide lab's companies, in their period of execution, with access to unique technological infrastructure, knowledge and expertise, for their success.
- 5.4 To provide the lab's companies, in their period of execution, with existing technological infrastructure or infrastructure that would be created for them pursuant to the procedures of the incentive program to be

determined by the Committee, all pursuant to the proposal presented as part of the competitive process. The innovation lab will operate in one site only, and for this operation will be entitled to a grant, pursuant to the details of Section 6 below. However, it will be possible to provide the lab's companies with the variety of infrastructures that exist in Israel or abroad, at the discretion of the Innovation lab.

- 5.5 To provide professional-technical guidance to the lab's companies in their execution period, by the Specialist Company's or the Innovation lab's research and development personnel. In exceptional cases, and for reasons to be recorded, where unique services are required that are not available in the Innovation lab, it will be possible to recognize an external supplier that will perform this requirement, subject to the Committee's prior consent.
- 5.6 To provide a dedicated person ("Champion"), possessing the relevant experience, to serve as the Head of the innovation lab, whose role will be to connect the lab's companies in their period of execution, and the relevant units in the Specialist Companies, and the existing ecosystem of the relevant industry.
- 5.7 To provide the lab's companies and the innovation lab's entrepreneurs, in their execution period, with a work space, as necessary.

## **6. The grant and the rights of the selected Innovation lab**

- 6.1 The Innovation lab selected by the Committee will be entitled to a grant from the Innovation Authority for the purpose of covering the recognized expenses of establishing a technological infrastructure, at a rate of 33% of the total recognized expenses (50% for an Innovation lab built in a Peripheral Area), and up to a grant of ILS 4 million in the concession period. The funding from the Innovation Authority under this section will be granted pursuant to the acceptance of the lab's companies by the innovation lab, as detailed below:
  - 6.1.1 A grant that will not exceed ILS 2 million, under the condition that at least two lab's companies are accepted at the innovation lab;
  - 6.1.2 The grant remainder up to ILS 4 million, under the condition that the innovation lab accepts at least 4 lab's companies in total.
  - 6.1.3 The grant payments will be transferred to the innovation lab pursuant to quarterly financial reports to be submitted by it.
- 6.2 The technological infrastructure to be built pursuant to Section 6.1 above will be used for collaborations with entities such as industrial companies and startup companies (including the lab's companies).
- 6.3 In addition, for the purpose of operating the innovation lab, the Innovation Authority will extend a grant at the amount of up to ILS 500 thousand per annum, or 50% of the total recognized expenses, whichever is lower, for the purpose of covering the recognized expenses of operating the selected innovation lab. For the avoidance of doubt, it is clarified that the grant from the Innovation Authority pursuant to this section will be additional to the grant from the Innovation Authority which is given for the

establishment of the technological infrastructure, as detailed in Section 6.1 above, and that it too will be granted subject to the acceptance of the lab's companies by the selected innovation lab, and as defined in the procedures of the incentive program determined by the Committee.

## **7. Principles of support to a Lab's project**

- 7.1 An Entrepreneur that desires to execute a lab's project will contact the selected innovation lab, that received a Confirmation by virtue of this the incentive program, and will submit to it an application for the execution of a lab's project. The Innovation lab as foregoing will submit together with the Entrepreneur an application with the Innovation Authority for the approval of the project as a lab's project. The application will be submitted for an execution period of 12-months, with a budget of up to ILS 1 million. The application will be examined by a professional examiner on behalf of the Innovation Authority and will be presented for discussion in the Committee.
- 7.2 The Committee will reach a decision with regards to approving or rejecting the application pursuant to criteria to be determined by the Committee on this matter, as part of the the incentive program procedures, which will include, inter alia, reference to the level of technological innovation and technological depth, the technological applicability of the product and the product's business potential.
- 7.3 Any lab's project approved by the Committee will receive a notice to this effect and will have to sign a letter of undertaking in a format to be determined by the Committee, and as part of this a requirement that it will be registered in Israel pursuant to the laws of the State of Israel, as a limited liability private company, before commencing its operation in the innovation lab. The approval will enter into effect after signing such a letter of undertaking and the issue of a Confirmation by the Innovation Authority for the lab's Company as foregoing.
- 7.4 The manner and dates of payment to a lab's project approved by the Committee will be pursuant to the procedures determined on this matter in the incentive program no. 3 - Technological Incubators of the Innovation Authority, or other procedures determined by the Committee on this matter, which will replace them.
- 7.5 The lab's project will be performed by the company incorporated as foregoing in Section 7.3 above, however the Company may operate subcontractors to perform various operations at rates and pursuant to procedures to be determined on this matter by the Committee.
- 7.6 The Innovation Authority's participation in funding a lab's project through a grant from the Innovation Authority, at the amount of up to ILS 1 million or 85% of the total recognized expenses, whichever is lower, for a 12-month execution period which, in general, will start on the date of submitting the application to the Innovation Authority, however the Committee may determine procedures regarding a different commencement of the execution period.

- 7.7 The transfer of the grant payments from the Innovation Authority for the recognized expenses will be performed after the transfer of the Complementary Funding for those expenses, and pursuant to procedures to be determined by the Committee.
- 7.8 The Committee will re-discuss any resolution it made, if within 45 days of the date of passing the resolution, the person on whose matter such resolution by the Committee was passed submits a written and reasoned application for holding a re-discussion. The submission of a re-discussion application requires payment of a fee pursuant to the Encouragement of Research and Development in Industry Regulations (Fees), 5766-2006.

## 8. Rights in the knowledge developed in a Lab's project

With respect to knowledge developed as part of the lab's project (hereinafter: the “**New Knowledge**”), the New Knowledge and the rights deriving therefrom will be fully and exclusively owned by the lab's company, including intellectual property rights. However, the Committee will be allowed to approve for the lab's company to grant the Innovation lab or any of its shareholders a non-exclusive license to use the New Knowledge, or co-ownership of the New Knowledge in a scope that will not exceed 50% for the Innovation lab or Specialist Company, pursuant to procedures to be determined by the Committee, this, as long as the use of the New Knowledge by the Innovation lab or the Specialist Company does not adversely affect the rights of use of the lab's Company in the New Knowledge, in whole or part.

The provisions of The incentive program no. 1 - The R&D Fund and the Innovation Law in the context of the preservation of the knowledge and production rights in or outside Israel, and transferring the knowledge or the rights deriving therefrom outside Israel, will apply to grants given by virtue of this The incentive program, *mutatis mutandis*, including to the innovation lab or the Specialist Company (if it was incorporated in Israel and operates pursuant to the laws of the State of Israel), if it is the owner of the New Knowledge.

## 9. Royalties

- 9.1 No royalties will be demanded for a grant given to an Innovation lab under the incentive program.
- 9.2 A Lab's Company that received a grant for a Lab's project pursuant to Section 7 of the incentive program will be charged with paying royalties to the Innovation Authority, out of any revenue deriving from the product developed as part of the lab's project, or a new product deriving therefrom, including services that are accessory to or entailed in the product, up to the repayment of the grant given to the lab's project plus annual interest, pursuant to the provisions of the Innovation Law and the provisions set forth under the incentive program no. 1 - The R&D Fund of the Innovation Authority, with respect to royalties, including the royalty rates.

## 10. Canceling or ceasing the support

- 10.1 If one or more of the cases detailed below occurs, the Committee will consider this a fundamental violation of the incentive program terms, and it may decide to take one or more of the following actions: cancelation of the support, in whole or part, whether already paid or not yet paid, and it may demand the return of the part that was paid together with interest and linkage differences, as these terms appear in the Adjudication of Interest and Linkage Law, 5721-1961, from the date of their payment until the date of their repayment in reality.
- 10.2 If the selected innovation lab or the lab's Company fails to meet the conditions of this the incentive program, the Committee's decision, the Confirmation, the undertaking, the incentive program procedures or any other condition that it is obligated to meet.
- 10.3 The delivery of false data as part of the submission of the proposal to serve as an Innovation lab or application for funding for a lab's project by virtue of this he incentive program or afterwards.
- 10.4 Whoever receives a demand to return a grant that it was given, in whole or part, will comply with the demand within ninety days of the date of the notice or on a later date set forth in the notice, together with interest and linkage differentials, as these terms are used in the Interest and Linkage Adjudication Law, 5721-1961.

## 11. Submitting a proposal or application

- 11.1 A proposal to serve as an innovation lab will be submitted by the Bidder pursuant to the dates to be published on the Website and in the press, and it will include all of the details required pursuant to the incentive program and the publications as foregoing.
- 11.2 An application for a grant for a lab's project will be submitted using a special form, prepared pursuant to the procedures that the Committee determined or that it will determine from time to time, and will be accompanied by additional documents at the demand of the Committee or any entity authorized by it. The forms for applying for an Innovation Authority grant will be downloaded from the website.

## 12. Eligibility to other Innovation Authority's incentive programs

- 12.1 Receiving a grant from the Innovation Authority for the establishment and operation of the innovation lab as part of this incentive program will not prevent the selected Innovation lab or the Specialist Company from submitting an application and receiving a grant as part of the other incentive programs of the Innovation Authority, as long as the grant received in the other programs as foregoing will be given for components different from those that were defined in this incentive program and were approved by the Committee under this incentive program.
- 12.2 The receipt of a grant or benefit by a lab's company will not prevent the further assistance of the Innovation Authority in further plans for

developing the knowledge that received a benefit by virtue of this incentive program.

- 12.3 Eligibility for a grant or benefit will only apply to any factor that did not and does not receive any benefit or additional financial assistance from the Innovation Authority or the state, for executing the Lab's project, or parts thereof, for which the grant under this incentive program was received.

### **13. Supervision and control**

The grant recipient undertakes to allow, at all times, the Innovation Authority or any person on its behalf, including external factors on its behalf, to control its operations, on the dates and under the conditions to be determined by them, and to act pursuant to the guidelines of the Innovation Authority as determined from time to time.

### **14. Budget**

- 14.1 It is clarified that the Innovation Authority will be allowed to update the amounts set forth in the provisions of this incentive program from time to time.
- 14.2 The provision of the assistance and operation of this incentive program are subject to the approval of the budget each and every year, the budgetary restrictions and the budget approved for this incentive program. In any case, this incentive program should not be considered an obligation on behalf of the Innovation Authority to make any payment.
- 14.3 In case that, by the allocation date, the Innovation Authority's budget has not been approved yet, the approval of the grant will be subject to the availability of a budget in the appropriate budgetary regulation, and no final decision will be made regarding the approved grant, until after the approval of the government budget by the relevant factors, at the earlier of the foregoing.
- 14.4 The approval of the lab's project will be in accordance with the amounts budgeted for this purpose in the Innovation Authority's budget, and according to the Committee's discretion.
- 14.5 In any case, this incentive program should not be considered an obligation on behalf of the Innovation Authority to embark on any competitive process at any time, to approve projects or to transfer any payment.

### **15. Miscellaneous**

- 15.1 The provisions of the Innovation Law and the regulations, rules, procedures and directives enacted under it (if any) will apply to the incentive program pursuant to these provisions, mutatis mutandis.
- 15.2 The procedures of the incentive program as determined and published from time to time by the Committee form an integral part of this incentive program. In case of any contradiction between the provisions of this

incentive program and the procedures, the provisions of this incentive program will prevail.

15.3 Procedures, notices etc. set forth with respect to this incentive program will be published on the Website.

15.4 The Committee does not undertake to approve any application or proposal, including an application for approval of a lab's project.

## **16. Commencement**

The provisions of this incentive program were amended on January 7, 2019, and supersede the provisions of the incentive program dated April 15, 2018.

## Appendix A - Innovation Labs Incentive Program - Fintech and Cyber Sectors

### 1. General

The provisions of Innovation Labs Incentive Program no. 29 (hereinafter: the “**The incentive program**”) will apply to Innovation Labs Incentive Program - Fintech and Cyber Sectors Appendix A – Innovation Labs Incentive Program - Fintech and Cyber Sectors (hereinafter: the “**Innovation Labs Incentive Program - Fintech and Cyber Sectors**” unless explicitly stated otherwise in Innovation Labs Incentive Program - Fintech and Cyber Sectors Appendix A itself.

### 2. The Innovation Labs Incentive Program - Fintech and Cyber Sectors Goals

- 2.1 The Innovation Labs Incentive Program - Fintech and Cyber Sectors is a joint collaboration of Israel Innovation Authority, the National Cyber Directorate at the Prime Minister’s office (hereinafter: the “**National Cyber Directorate**”) and the Cyber Emergency and Security Directorate of the Ministry of Finance (hereinafter: the “**Cyber Emergency and Security Directorate**” and the “**Partners**”, respectively), which is designed to promote the establishment of an Innovation Lab in the Fintech and Cyber Sectors.
- 2.2 The National Cyber Directorate operates the National CERT (Computer/Cyber Emergency Response Team) at the city of Beer Sheva. The National CERT, which was established in cooperation with the local industry (both civilian and defense) and international industry, allowing forming an up-to-date report and managing cyber events in real time.
- 2.3 As part of the National CERT, the Cyber and Financial Continuity Center (hereinafter: the “**Center**”) was established, under the management of the National Cyber Directorate and the Cyber Emergency and Security Directorate, which is in charge of cyber defense of financial processes and institutions throughout Israel, and specializes in financial processes, requirements and standards of the financial system as well as cyber threats to the financial market. In addition, the Center is connected, as part of the National CERT, to dozens of CERTs throughout the world, to fintech centers and to commercial bodies operating in the cyber and finance sectors.
- 2.4 The Cyber Emergency and Security Directorate has connections to key domestic and international entities, inter alia financial organizations, regulators, guidance and oversight agencies and government ministries, that possess unique information and a profound collaborations with financial bodies, access to research and relevant information from national envelope factors and connections to the academic world.
- 2.5 The purposes of the Innovation Labs Incentive Program - Fintech and Cyber Sectors are to establish international leadership in the field that integrates the fintech and cyber sectors (FinSec), and in order to leverage

and make accessible the information and experience accumulated in the Center, and the Partners' relations, to the benefit of entrepreneurs and hi-tech companies, it was decided to establish an Innovation Lab which will operate in these sectors (hereinafter: the "**FinSec Innovation Lab**"); to increase the strength of Israel's financial market in cyber aspects, encourage growth and competition in the local financial market and to encourage foreign investments.

- 2.6 Instead of Section 1.3 of the the incentive program, the following words will appear: "The FinSec Innovation Lab will be established and operated by a technological corporation that possesses technological infrastructures, knowledge and expertise that are unique in Israel or abroad, in the IT and infrastructure fields."

### 3. Definitions

In this Innovation Labs Incentive Program - Fintech and Cyber Sectors, the following terms will have the meaning appearing in this section, even if explicitly stated otherwise in the Benefit Track itself.

#### 3.1 "Financial Entity"

One or more of the following:

- 3.1.1 "Banking Corporation" as this term is defined in Section 1 of the Banking Law (Licensing), 5741-1981;
- 3.1.2 "Clearing" as this term is defined in Section 36I of the Banking Law (Licensing), 5741-1981;
- 3.1.3 "Insurer" as this term is defined in Section 1 of the Supervision of Financial Services Law (Insurance), 5741-1981;
- 3.1.4 Corporations similar to the above-mentioned entities, which were incorporated outside of Israel.

#### 3.2 "The City of Beer Sheva"

As defined by the Ministry of the Interior.

#### 3.3 "Specialist Company"

- (1) A technological corporation, whether or not incorporated and operating pursuant to the laws of Israel, which possesses technological infrastructure, knowledge and expertise that are unique in Israel or abroad, in the IT and infrastructures fields, and which also possesses knowledge or expertise in Israel or abroad in the finance and/or cyber sectors;

or

- (2) A Financial Entity as defined in Section 3.1 above.

### 4. The Committee's Composition

As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, the following members will be added to the Committee's composition:

- 4.1 Head of the National Cyber Directorate or a representative to be appointed by him/her - member;
- 4.2 Head of the Cyber Emergency and Security Directorate or a representative to be appointed by him/her - member;

## 5. Threshold Conditions

- 5.1 Instead of the words of Section 4.2.2 of the incentive program, the following words will appear:

A Specialist Company, whether it is the Bidder itself or one of the Bidder's shareholders, will be the employer of at least 500 employees, as of the date of submitting the proposal, and the scope of its sales will be at least ILS 1 billion in the calendar year preceding the year in which the competitive proceeding was published. It is clarified, that it is not possible to consolidate several Specialist Companies in order to meet this threshold conditions.

- 5.2 As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, another threshold condition will be added to the Threshold Conditions detailed in Section 4.2 of the The incentive program, which is: the Bidder will be held, whether directly or indirectly, by at least one Financial Entity, which possesses infrastructure in one or more of the following fields: banking, securities, credit, clearance and insurance.

To prove the Financial Entity's compliance with this threshold condition as required in Section 4.2.2 - the declaration of the Financial Entity's authorized signatory, pursuant to a format to be determined by the Committee in the Innovation Labs Incentive Program - Fintech and Cyber Sectors' procedures.

## 6. Criteria

- 6.1 In the first paragraph of Section 4.5, it will be added that in any place where the Specialist Companies holding the Bidder are examined, the Financial Entities will also be examined.
- 6.2 As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, the criteria "The added value of the Bidder and its shareholders", detailed in Section 4.5.2 of the incentive program will be added another section as follows: Preference will be given to a plan that presents a commitment to make more comprehensive and more diverse financial information accessible.
- 6.3 As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, Sections 4.5.3.6 and 4.5.3.7, under the criteria "Business plan" detailed in Section 4.5.3 of the Benefit Track, will not be examined.

## **7. Duties of the selected FinSec Innovation Lab**

As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, the duties of the selected innovation Lab, as detailed in Section 5 of the incentive program, will be added five duties, as follows:

- 7.1 To establish the FinSec Innovation Lab in the City of Beer Sheva.
- 7.2 To accept Innovation Lab start-ups in the cyber and fintech sectors (for example: in the fields of securing the financial system, use of blockchain technology, credit transaction clearance, InsureTech and more), as approved by the Committee.
- 7.3 To assist the Innovation Lab's start-ups in their period of execution, starting from the phase of proving the technological concept, implementation, technological and business examination, POC, pilot etc., with the purpose of ensuring the product's compatibility to tackle cyber threats in accordance with the requirements of the financial sector, to make financial infrastructures and systems accessible and to adjust it to regulations - according to the needs of the Innovation Lab start-ups and pursuant to the milestones set forth by the Committee.
- 7.4 To make the services detailed in Section 8 below accessible to the Innovation Lab's start-ups, as much as possible, according to their needs.
- 7.5 To coordinate with the contact on behalf of the Cyber Emergency and Security Directorate all matters relating to hosting delegations, visits and developing conferences.

## **8. The grant and rights of the selected FinSec Innovation Lab**

As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, the grant and rights of the selected Innovation Lab, as detailed in Section 6 of Innovation Labs Program, will be added five sections, as follows:

- 8.1 The Center will make accessible, as much as possible, civilian information approved for publication and sharing to the benefit of the FinSec Innovation Lab and the start-ups, according to their needs, inter alia sharing information, including analysis of data and information on cyber attacks and cyber intelligence, consultation and lecturers for the Innovation Lab, depending on their availability, sharing information and technologies, information on PT capabilities and infrastructure, processes, regulation and data possessed by the Center. The collaboration between the FinSec Innovation Lab and the Center for the purpose of this accessibility, will enable development of work interfaces and exchanges of professional knowledge in close circuits, to allow development and innovation adjusted to the dynamic challenges on this matter. It is clarified that the exact nature of the work interfaces will be defined in accordance with the characteristics of the activity and the operational and legal restrictions deriving from the characteristics of the National Cyber Directorate as an entity with responsibility for cyber defense, and third-party rights in the information.

- 8.2 The National Cyber Directorate and the Cyber Emergency and Security Directorate will assist the FinSec Innovation Lab and the Innovation Lab start-ups in relations with international government and financial entities, financial infrastructure providers and regulatory entities in Israel and abroad, subject to any law. In addition, they will assist in promoting the FinSec Innovation Lab as a center for information and innovation in the cyber-financial field.
- 8.3 The unique services will be made accessible to the benefit of the FinSec Innovation Lab, through a contact person on behalf of the Cyber Emergency and Security Directorate, who will work on its behalf in the FinSec Innovation Lab, in order to ensure constant contact.
- 8.4 The contact person on behalf of the Cyber Emergency and Security Directorate will present to the FinSec Innovation Lab the needs of the public sector in the fintech and cyber sectors, on a non-exclusive basis. In accordance with the needs to be presented, the FinSec Innovation Lab may publish calls for start-ups in the relevant focus areas. For the avoidance of doubt, the FinSec Innovation Lab will be allowed to accept Innovation Lab start-ups in fields of focus that were not included in such calls, subject to the provisions of the incentive program, the Innovation Labs Incentive Program - Fintech and Cyber Sectors appendix A and the relevant procedures.
- 8.5 The joint activities of the National Cyber Directorate, the National CERT and the Center and the FinSec Innovation Lab and the Innovation Lab start-ups will be conducted so as not to jeopardize the operational activities of these entities and their cyber defense responsibilities, all pursuant to the discretion of the Head of the National Cyber Directorate or any person on his behalf. In addition, making the information from the National CERT and the Center accessible will be performed according to rules and the exclusive discretion of the National Cyber Directorate, while balancing the needs of the FinSec Innovation Lab and the Innovation Lab start-ups and the need not to adversely affect the National Cyber Directorate's commitment, this pursuant to the provisions of law.

## **9. Principles of support to a Innovation Lab Project**

- 9.1 Instead of the words of Section 7.1 of the incentive program, the following words will appear:

An Entrepreneur that desires to execute a Innovation Lab Project will contact the selected FinTech Innovation Lab, that received a Confirmation by virtue of this Innovation Labs Incentive Program - Fintech and Cyber Sectors, and will submit to it an application for the execution of a Innovation Lab Project. The FinSec Innovation Lab as foregoing will submit together with the Entrepreneur an application to the Innovation Authority for the approval of the project as a Innovation Lab Project. The application will be submitted for an execution period of 6 months, with a budget of up to ILS 0.5 million. The application will be examined by a professional examiner on behalf of the Innovation Authority and will be presented for discussion in the Committee.

- 9.2 Instead of the words of Section 7.6 of the incentive program, the following words will appear:

The Innovation Authority's participation in funding a Innovation Lab Project through a grant from the Innovation Authority, at the amount of up to ILS 425 thousand or 85% of the total recognized expenses, whichever is lower, for an execution period of up to 6 months which, in general, will start on the date of submitting the application to the Innovation Authority, however the Committee may determine procedures regarding a different commencement of the execution period.

## **10. Commencement**

This Innovation Labs Incentive Program - Fintech and Cyber Sectors will commence on January 7 2019.

## Appendix B - Innovation Labs Incentive Program - Environmental and Sustainability Sectors

### 1. General

That stipulated in The Innovation Labs incentive program no. 29 (hereinafter: **"The incentive program"**) will apply to Appendix B - Innovation Labs Incentive Program - Environmental and Sustainability Sectors (hereinafter: **"Innovation Labs Incentive Program - Environmental and Sustainability Sectors"**), unless stipulated explicitly otherwise in the body of Appendix B - Innovation Labs Incentive Program - Environmental and Sustainability Sectors.

### 2. The Objective of Innovation Labs Incentive Program - Environmental and Sustainability Sectors

- 2.1 The Innovation Labs Incentive Program - Environmental and Sustainability Sectors is a joint track of the National Authority for Technology and Innovation (hereinafter: **"The Innovation Authority"**), the Ministry of Environmental Protection and the Ministry of Economy and Industry (hereinafter: **"The Ministry of Economy"** and **"The Partners"**, respectively), which is aimed at promoting the establishment of a Innovation Lab in the Environmental and Sustainability Sectors (hereinafter: **"Innovation Lab in the Environmental and Sustainability Sectors"**).
- 2.2 The Ministry for Environmental Protection acts to reduce and prevent pollution and environmental hazards, while reducing economic and social disparities to improve the health of the citizens of the State and to protect their lives in the present and in the future. Inter alia, the Ministry for Environmental Protection is responsible for the regulatory measures of the environmental fields in business and factories under the power of the legislation that is under its authority, for purposes of protecting the public health, the environment and natural resources.
- 2.3 The Ministry of Economy is in charge of the economic promotion of the Israeli market, the development of human resources, advancing industry investments and competition. The Ministry of Economy is responsible for, inter alia, increasing growth by means of promoting research and development as a tool for developing the hi-tech industry, improving the competitive capability of the Israeli market and the promotion of international economic activities, and enhancing Government regulations.
- 2.4 The partners identified the need to set up a Innovation Lab in the Environmental and Sustainability Sectors in light of the increasing environmental challenges in Israel and around the world, that obligate the development and the implementation of technological solutions in the field of environmental protection aimed at industry.

- 2.5 These solutions will be created by means of encouraging the development of innovative ideas with high global potential in the fields of environmental protection technology and encouraging collaboration between startup companies and corporations, in order to improve the competitive and environmental performance of these entities and the field of environmental protection technologies in Israel. Such collaboration will encourage business growth in the market, the establishment of enterprises in the field of environmental protection and foreign investments, in conjunction with the improvement of environmental protection and will thus contribute to the bolstering and promotion of the Israeli economy, and all while making the knowledge and the experience that has accumulated at the Ministry of Environmental Protection, accessible (insofar as possible).
- 2.6 The following will come in place of Paragraph 1.3 of the incentive program: “Innovation Lab in the Environmental and Sustainability Sectors will be established and operated by a corporation that has technological infrastructure, knowledge and unique expertise in Israel or abroad, in the field of environmental protection”.

### 3. Definitions

The definitions appearing in this section will be ascribed to the following terms, even if stipulated otherwise in the body of the incentive program:

#### 3.1 “Specialist Company”

A technological corporation, whether being a corporation that was legally incorporated and is operating pursuant to the laws of the State of Israel or not, which has unique technological infrastructure, knowledge and expertise in Israel or abroad, in the field of environmental protection technology.

#### 3.2 “Industrial Company”

A specialist company that carries out the physical or chemical transformation of materials or components into new products, using machinery.

#### 3.3 “Environmental Protection Technologies”

Technologies that reduce pollution and diminish environmental hazards, and include, inter alia, the following fields and which will be approved by the Committee: The reduction of air pollution in industry, transport and combustion in open spaces, prevention and reduction of pollution and hazards from hazardous materials, asbestos and pesticides, the optimization of production processes and cleaner production processes, to decrease the emission of pollutants and / or the efficacy of resources, treating and cleaning an environment that has been polluted, such as polluted water and land, advanced materials and ways in which it is possible to examine materials, control and reduction of hazards – noise, vibrations, odors; monitoring and control of pollution, at the source of the emission and in the surroundings thereof, Developing the production of

more environmental friendly products, such as green construction, the development of environmental services such as waste management, water resource management and sewage management, material recycling and reconstitution, the production and storage of clean energy, energy streamlining, computerizing and control of pollution treatment processes, etc.

### 3.4 “Research Institute”

Each of the Following:

- 3.4.1 An institute, including a hospital, within the ambit of which academic research and development is being carried out, in the scientific or technological field, including a trading company of the above stated institute.
- 3.4.2 A recognized institute of higher education as defined in the Council of Higher Learning Law, 5718 – 1958 – including a trading company of the above stated institute.
- 3.4.3 A parastatal research institute, within the ambit of which academic research and development is being carried out, in the scientific or technological field, including a trading company of the above stated institute.

### 3.5 “Process manufacturing”

An industry that it characterized by the execution of the physical or chemical transfer of materials or components into new products using automation processes.

## 4. The Committee’s Composition

As part of Appendix B - Innovation Labs Incentive Program - Environmental and Sustainability Sectors, the following members will be seconded to the membership in the committee.

- 4.1 A representative of the Ministry of Environmental Protection who will be appointed by the Director General of the Ministry of Environmental Protection – member.
- 4.2 An employee of the Industry Administration at the Ministry of Economy who will be appointed by the Director General of the Ministry of Economy – member.

## 5. Threshold Conditions

The following will replace that stipulated in Paragraph 4.2.2 of the incentive program:

A specialist company or a production industry company, whether such be the bidding organization itself or one of the bidder’s shareholders, employs at least 100 workers, as at the date of the submission of the proposal, and financial turnover of at least NIS 100 million in the calendar year that preceded the year in which the competitive process was published. It would be prudent to clarify that it will not be possible to

combine a number of specialist companies in order to comply with this threshold condition.

## **6. Criteria**

- 6.1 As part of Innovation Labs Incentive Program - Environmental and Sustainability Sectors, the following clauses will be added to “the added value of the bidder and its shareholders” criteria, as detailed in paragraph 4.5.2. of the incentive program, being:  
Priority will be given to a joint proposal of a specialist company and an industrial company or to a bidder that complies with the two definitions of a specialist company and a industrial company.
- 6.2 Within the ambit of Innovation Labs Incentive Program - Environmental and Sustainability Sectors, paragraphs 4.5.3.5 and 4.5.3.6, which are located under the “Business Plan” criteria detailed in paragraph 4.5.3 of the incentive program, will not be examined.
- 6.2.1 Preference will be given to an innovation lab in the environmental and sustainability sectors that will provide a solution for the operations of a process manufacturing with high environmental pollution potential in close proximity to population centers.
- 6.2.2 Preference will be given to an innovation lab in the environmental and sustainability sectors that will form a strategic partnership with an academic research institute with an expertise in the engineering and environment fields, that will enable the identification of opportunities for developments in the field of energy and the environment and the creation of mechanisms for collaboration between the various entities operating in the innovation system (eco-systems).

## **7. Obligations of the technological innovation lab in the environmental and sustainability sectors that was selected**

As part of Innovation Labs Incentive Program - Environmental and Sustainability Sectors , the following obligations will be added to the obligations of the lab, that was selected, detailed in Section 5 of the incentive program.

- 7.1 In order to assist the start-ups to achieve proof of concept, with the objective of ensuring the suitability of the product to the environment and sustainability challenges pursuant to the regulations laid down by the Ministry of Environmental Protection, to make infrastructure accessible and well as to adapt it to the regulations, all pursuant to the needs of the lab's project and pursuant to the milestones laid down by the Committee.
- 7.2 To make the services, detailed in section 8 below, accessible to the lab's start-ups, insofar as possible, based upon their needs.

## **8. The grant and the rights of Innovation Lab in the Environmental and Sustainability Sectors that was selected.**

As part of Innovation Labs Incentive Program - Environmental and Sustainability Sectors, the following clauses will be added to the grant and to the rights of the innovation lab that was selected, detailed in section 6 of the incentive program:

- 8.1 The Ministry for Environmental Protection, will, as far as possible, make accessible, data and information that have been approved to be shared for the benefit of a innovation lab in the environmental and sustainability sectors and the laboratory companies with respect to environmental protection challenges, environmental licensing demands and emission data and transfer to an environment of various pollutants. Such cooperation, between a innovation lab in the environmental and sustainability sectors and the Ministry for Environmental Protection will enable the development of work interfaces and professional knowledge exchanges.
- 8.2 As required, the Ministry of Environmental Protection will provide the innovation lab in the environmental and sustainability sectors and the laboratory companies, regulatory accompaniment of licensing processes, insofar as the case in point is regulation that is under the authority of the Ministry of Environmental Protection, pursuant to the "Procedure for the handling process of a pioneer (pilot) facility for innovative environmental techniques that require environmental licensing", of the Ministry of Environmental Protection (dated January 31, 2018) as such will be valid from time to time.
- 8.3 The Ministry of Environmental Protection will appoint a liaison person in favor of the innovation lab in the environmental and sustainability sectors, for purposes of making information and regulatory accompaniment accessible, as stipulated in paragraph 8.1 and 8.2 above.
- 8.4 The Ministry of Economy and the Ministry of Environmental Protection will assist, insofar as possible, the innovation lab in the environmental and sustainability sectors and the lab's companies in forming and reinforcing contacts with government organizations and international organizations. Furthermore, they will assist, insofar as possible, in promoting innovation lab in the environmental and sustainability sectors as a knowledge center and industry innovation center.

## 9. Applicability

The commencement of Appendix B - Innovation Labs Incentive Program - Environmental and Sustainability Sectors will be on January 7 2019.

**\*Although every effort has been made to ensure the translation's accuracy, only the original Hebrew text published on the Israel Innovation Authority Hebrew website would be valid legally, therefore readers are advised to refer to the Hebrew text in all matters that might affect them\***