

# Incentive program 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 its various programs, tools and activities.
- 1.2 Incentive program 29 – The Innovation Labs Program (hereinafter: “The incentive program”) will enable corporations, through Innovation Labs, to implement open innovation processes and help them in growing and establishing themselves in Israel and strengthen Israel’s unique innovation eco-system. Thus strengthen and promote the Israeli industry in particular and the Israeli economy as a whole, and assist start-ups operating in sectors that requires access to unique technological infrastructures, market knowledge, marketing channels or expertise, in order to formulate and test products, prove technological feasibility, execute pilots, etc.
- 1.3 The Innovation Labs, as defined in clause 2.16 below, will be established and operated by corporations with unique technological infrastructure, knowledge and expertise in Israel or abroad that are not currently available to Israeli entrepreneurs.
- 1.4 The support that will be granted as part of the incentive program will be given to both the Innovation Labs and the start-ups taking part in the program.
- 1.5 The incentive program enables to create sub-tracks, which will be detailed in this incentive program’s appendices. The sub-tracks will enable new Innovation Labs' establishment in specific sectors, to collaborate with government ministries, in order to make these assets and/or services and/or information available to the innovation lab and associated companies. The incentive program’s terms will apply to the sub-tracks unless otherwise stated.

## 2. Definitions

In this incentive program, the following terms will be defined as follows unless stated otherwise in the incentive program:

### 2.1 “Periphery Region”

Development Areas A and B, which were determined pursuant to clause 40D of the Encouragement of Capital Investments Law of 5719 (1959);

### 2.2 “The Website”

The Innovation Authority’s website;

### 2.3 “Relevant Government Entity”

The government entity together with which the sub-track set forth in the appendix is carried out, and detailed in the incentive program appendix.

## 2.4 “Recognized Expenses”

- 2.4.1 Expenses for the technological infrastructure's establishment and ongoing operation of an innovation lab, in respect of which the committee has determined in the regulations that they may be considered;
- 2.4.2 Expenses for conducting research, development, marketing, commercialization, and other recognized lab project activities for which the committee has determined regulations that may be considered.

## 2.5 “The Committee”

As defined in clause 3 below, which will serve as the research committee (as defined in the Innovation Law) for the purposes of this incentive program;

## 2.6 “Lab Company”

A private company duly incorporated in Israel and operating according to the laws of the State of Israel, and will act to implement and commercialize the lab project;

## 2.7 “Specializing Company”

A corporation, whether duly incorporated in the State of Israel and operating according to the laws of the State of Israel or not, with a unique technological infrastructure, knowledge, and expertise in Israel or abroad that are not currently available to Israeli entrepreneurs;

## 2.8 “Manufacturing Industry Company”

A company specializing in the physical or chemical transformation of materials or components into new products using machinery, including the following industries: textiles, wood, plastics, rubber and its products, food and beverages, metal and its products, building materials, electrical equipment, and 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 of 5744 (1984);

## 2.11 “Entrepreneur”

An individual or individuals with a technological idea who wish/es to develop it into a commercial product as part of a lab company;

## 2.12 “Research”

As this term is defined in the Innovation Law;

## 2.13 “Supplementary Financing”

Funding that is not from the Innovation Authority or the State, supplementing the recognized expenses approved by the committee to 100%;

#### 2.14 “Sub-Track”

One of the incentive program’s sub-tracks, which will be specified in the appendices.

#### 2.15 “Grant”

All the following:

- 2.15.1 Financing provided by the Innovation Authority to the innovation lab in order to establish the technological infrastructure as specified in clause 6.1 below;
- 2.15.2 Financing provided by the Innovation Authority to the innovation lab for the operation of the innovation lab as specified in clause 6.3 below;
- 2.15.3 Financing provided by the Innovation Authority to a lab company, in order to finance the implementation of an approved lab project, as specified in clause 7.6 below;

#### 2.16 “Innovation Lab”

A for-profit corporation duly incorporated in Israel that operates according to the State of Israel’s laws, and capable of providing to corporations legally incorporated in Israel and operating according to the laws of the State of Israel, including lab companies, access to technological infrastructures and/or market understanding and marketing channels and/or unique knowledge and/or expertise toward their success;

#### 2.17 “Bidder”

A corporation that is a specializing company or is held, whether directly or indirectly, by one or more specializing companies together, at a rate of 30% or more (on a fully diluted basis), which submits a bid as part of 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 Project”

A project approved by the committee according to the terms of this incentive program, based on a plan as defined in the Innovation Law;

#### 2.20 “Approved Budget”

The total budget of a lab project consisting of the grant and supplementary financing, as approved by the committee.

## 3. The Committee

### 3.1 Committee Composition

- 3.1.1 Head of the Innovation Authority – committee member and chairperson;
- 3.1.2 Director General of the Innovation Authority – a member and acting committee chairperson;

- 3.1.3 Three Innovation Authority employees appointed by the Innovation Authority's Director General – members;
- 3.1.4 An employee of the Ministry of Economy and Industry who holds an academic degree related to the committee's work, appointed by the Director General of the Ministry of Economy and Industry – a member;
- 3.1.5 A representative of the Budget Commissioner in the Ministry of Finance appointed by the Minister of Finance – a member;
- 3.1.6 A representative of the Accountant General at the Ministry of Finance appointed by the Minister of Finance – a member;
- 3.1.7 Four representatives of the public – members.

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

The committee has the authority to make any decision necessary for the operation of The incentive program (as long as they do not contradict the Innovation Law's terms, regulations, rules, procedures, and provisions prescribed thereunder), including:

- 3.2.1 To examine proposals submitted as part of competitive procedures for the establishment and operation of Innovation Labs according to the prerequisites and criteria, rank them, choose from amongst them, and approve their operation.
- 3.2.2 To take every action necessary for the examination and evaluation of the bidders' proposals, including regarding the way the innovation lab is operated and execution of the lab project.
- 3.2.3 To determine the conditions for setting up and operating an innovation lab, including milestones and timetables. The milestones can also be based on compliance with the presentations presented by an innovation lab as part of the competitive process.
- 3.2.4 To approve or disqualify, in whole or in part, according to the regulations determined by the committee, any change that an innovation lab requests to make to its original proposals.
- 3.2.5 To monitor the innovation lab's performance and decide whether to establish conditions and milestones for it, cancel the approval granted to it, or discontinue its support according to the terms of clause 11 below.
- 3.2.6 To examine, approve, or reject requests for lab projects, including budgets submitted, in whole or in part, and determining the conditions for their approval.
- 3.2.7 To monitor a lab project's performance and decide whether to establish conditions and milestones, cancel the approval granted to it, or discontinue its support according to the terms of clause 11 below.
- 3.2.8 To approve an extension of a lab project without any additional budget until the approved budget has been fully utilized.

- 3.2.9 To approve a contraction of a lab project's time period due to the approved budget being fully utilized and the plan's objectives, as approved by the committee, realized.
- 3.2.10 To grant the innovation lab or specializing company rights to the new knowledge to be developed in the lab project, according to clause 9 of this incentive program and regulations to be determined by the committee.
- 3.2.11 To determine and publish regulations for the implementation of this incentive program.
- 3.2.12 To initiate surveys, studies, and any other activity that may assist in the operation of this incentive program.

### **3.3 Acting Committee Chairperson**

- 3.3.1 One committee member from amongst the Innovation Authority's employees, appointed by the Authority's director and director general, will be authorized to act as the Authority's acting director general in the capacity of acting committee chairperson.
- 3.3.2 This Authority employee may serve as acting committee chairperson, subject to the Authority's prior written authorization prior to the committee's specific discussion.

### **3.4 Remuneration**

The committee members from among the public will be entitled to remuneration for their participation in a committee meeting, according to the regulation to be determined by the Innovation Authority's council for this purpose.

## **4. Selecting an Innovation Lab**

### **4.1 Competitive Process for Selecting an Innovation Lab**

- 4.1.1 A winner will be selected in a competitive process according to this incentive program's terms. Competitive procedures will be announced on the website and in the press (hereinafter: "the announcement"), according to the following terms:
- 4.1.2 As part of this incentive program, Innovation Labs that have received the highest marks in the competitive process will be selected. In any announcement published by the Innovation Authority, it will be noted whether this is a competitive process for the selection of laboratories concerning this incentive program or by that of the sub-tracks, and the maximum number of Innovation Labs the committee will be authorized to approve. In addition, the Innovation Authority will be entitled to limit the areas of activity in which the innovation lab can operate, and this limitation will be included in the published announcement. Likewise, the Innovation Authority will be entitled to give preference to a manufacturing company participating in a competitive process if the competitive process is not restricted to the manufacturing industry; this preference will also be included in the published announcement.

- 4.1.3 An innovation lab will be selected by the committee according to the terms detailed in this incentive program. The selected bidder will be notified of this and required to sign a letter of undertaking in a format to be determined by the committee. Confirmation of the selection will come into effect after the signing of the said undertaking and the issuance of a letter of approval by the Innovation Authority to the innovation lab that won the competitive process, for a concession period of 3 years from the date of the letter of approval (hereinafter: “the concession period”).
- 4.1.4 Notwithstanding the terms of clause 4.1.3, if the selected innovation lab does not begin to fulfill its obligations within six months from the date of the committee's decision on the selection according to The incentive program, after the selected innovation lab has received a letter regarding the non-fulfillment of its obligations and has not corrected the defect as required by the committee within 45 days from the date of the letter, the committee is entitled to cancel the selection or choose an innovation lab that was ranked after it and did not win the competitive process, according to the competitive process's ranking order.
- 4.1.5 As part of the announcement, it will be possible to ask questions and request clarifications regarding the innovation lab selection process up to the date published in the announcement, or later, as will be noted on the website. The Authority reserves the right, at its sole discretion, to respond to questions submitted after the said date in cases justified by special circumstances. Answers to such questions will be published on the website until a published time, while disclosing as little information as possible about the person submitting the question or requesting clarification. The Authority will have discretion regarding disclosing the request's content. The Authority's responses will form an integral part of the competitive process for selecting an innovation lab detailed in The incentive program and should be read in conjunction with these terms.
- 4.1.6 It should be clarified that one bidder can submit several proposals for several Innovation Labs in the same competitive procedure. Each proposal will stand alone, and the bidder will be required to comply with all the conditions and regulations stipulated in the incentive program in relation to each of the proposals. It should also be clarified that in this case, only one of the bidder's proposals, at most, will be eligible for election as part of the competitive process, subject to the terms of clause 4.1.2 above.
- 4.1.7 The committee is not obligated to terminate the innovation lab selection process and choose within a certain period; however, if these proceedings do not end after 180 days from the final date for proposals submission, a bidder may cancel their proposals.
- 4.1.8 Without derogating from the foregoing and any support or right granted to the Innovation Authority, the proposals with the highest score among those that did not win the competitive process will remain in force for an additional 180 days after the competitive process's conclusion, in the event that the winning bidder retracts their bid or breaches their obligations or any other case in which the selected bid does not come to fruition. In such circumstances, the committee will be entitled (but not obligated), at its sole discretion, to declare the bidder that

ranks after it and has not won the competitive process, as the winner of the competitive process.

- 4.1.9 Notice of canceling a bid for selection as an innovation lab will be forwarded in writing to the Innovation Authority.
- 4.1.10 The committee is permitted not consider any unreasonable bid.
- 4.1.11 The committee or anyone acting on its behalf may, in the course of the examination and evaluation, refer to the bidders in order to obtain clarifications about their bids or remove any ambiguities that may arise during the bid's examination.
- 4.1.12 If no bid is submitted as part of the competitive process, it will be possible to embark on a new competitive process.

## 4.2 Prerequisites

The bidder must meet all the following conditions cumulatively. It should be clarified that it is sufficient to fail to comply with one of the prerequisites in order to disqualify the entire bid.

- 4.2.1 The bidder is an Israeli corporation duly registered in Israel and operates according to the laws of the State of Israel.
- 4.2.2 A specializing company, whether the bidder itself or one of the bids' shareholders, has at least 100 employees as of the bid's submission date, and its sales volume is at least NIS 100 million in the calendar year preceding the year in which the competitive process was published. It should be clarified that it is not possible to combine several specializing companies in order to meet this prerequisite.
- 4.2.3 The bidder or any of its shareholders are not limited accounts holders and are not in the process of receivership, freezing of proceedings, liquidation, etc.
- 4.2.4 The bidder meets the requirements of the Regulations for The Encouragement of Research and Development in Industry (Conditional Approvals – Minimum Wage) of 5771 (2011).
- 4.2.5 The total holdings – direct and indirect – of shareholders in a bidder that is a non-profit entity, local authority, or academic or non-academic research institution will not exceed 33% (on a fully diluted basis) and will not be the bidder's controlling shareholders together or separately.

## 4.3 Bid to Serve as an Innovation Lab

The bidder will fill out a bid form according to the wording to be determined by the committee in the track's regulations and attach all the following documents to its bid, cumulatively:

- 4.3.1 For the purpose of proving the bidder's compliance with prerequisites as required in clause 4.2.1 – the bidder's certificate of incorporation.
- 4.3.2 For the purpose of proving the bidder's compliance with prerequisites as required in clause 4.2.2 – the specializing company's authorized affidavit, according to wording to be determined by the committee in the track's regulations.

- 4.3.3 For the purpose of proving the bidder's compliance with prerequisites as required in clause 4.2.3 – the bidder's authorized affidavit signature and that of each of its shareholders, verified by an attorney, that none of them has a limited account and is not in receivership, etc., according to wording to be determined by the committee in the track's regulations.
- 4.3.4 For the purpose of proving the bidder's compliance with the prerequisites as required in clause 4.2.4 – a declaration that the bidder and its controlling shareholders fulfill their obligations regarding the protection of the rights of employees employed by the bidder under the Minimum Wage Law of 5747 (1987), and that they undertake to continue to protect these rights as stated, throughout the relevant period.
- 4.3.5 A commitment, signed by the bidder and verified by an attorney, to comply with the requirement of this incentive program according to wording to be determined by the committee in the track's regulations.
- 4.3.6 A forecast of expected sources and uses for the establishment of the innovation lab's technological infrastructure and ongoing operation for a period of three years, according to a format to be determined by the committee in the track's regulations.

#### 4.4 Criteria

The committee will only examine and consider bids that have met the prerequisites according to the following criteria. Wherever it is noted that a specializing company will be considered, the specializing companies holding the bidder will be considered (in case there is more than one specializing company holding the bidder):

##### 4.4.1 **The scope and quality of the bidder's experience and that of its shareholders (20%)**

The score for this criterion will be awarded based on the committee's impression of the scope and quality of the bidder's experience and that of its shareholders, considering the specializing company's holdings in the bidder, as follows:

- 4.4.1.1 Preference will be given to a specializing company with a greater number of years of experience and a greater scope of activity in the innovation lab's proposed field.
- 4.4.1.2 Preference will be given to a larger (global) market share of the company specializing in the proposed field of activity. The market share will be examined according to the specializing company's proposed area of activity. In other words, a higher score will not be given for a larger overall market size.
- 4.4.1.3 Preference will be given to a specializing company with a higher volume of research and development (R&D) expenses in the last three years in general and the last calendar year in particular.

#### 4.4.2 The bidder's added value and that of its shareholders (40%)

The score for this criterion will be awarded based on the committee's impression of the bidder's expected added value and that of its shareholders to the lab companies, considering the specializing company's holdings in the bidder, as follows:

- 4.4.2.1 Preference will be given to a higher-quality technological infrastructure made available to the lab companies, whether an existing infrastructure or a future one, and especially infrastructures unavailable in Israel at the entrepreneurs' bid submission date.
- 4.4.2.2 Preference will be given to a program that will show a stronger planned mutual influence between the specializing company and lab companies, including a detailed presentation of the implementation of the Open Innovation Model through the innovation lab.
- 4.4.2.3 Preference will be given to a program that will offer broader, more varied, and higher-quality support to start-ups based, among other things, on the specializing company's R&D personnel's expected scope and level of contribution to the lab companies.
- 4.4.2.4 Preference will be given to an innovation lab manager with more relevant experience in the proposed field of activity, including with start-up companies.

#### 4.4.3 Business Plan (25%)

The score for this criterion will be awarded based on the committee's impression of the bidder's business plan, its scope, quality, and feasibility.

- 4.4.3.1 Preference will be given to a bid demonstrating a stronger alignment and business and strategic partnerships between the bidder and its shareholders with Israel's innovation ecosystem in the innovation lab's proposed field of activity.
- 4.4.3.2 Preference will be given to a larger number of annual projects planned for the innovation lab.
- 4.4.3.3 Preference will be given to a higher-quality marketing plan for attracting lab companies.
- 4.4.3.4 Preference will be given to a detailed and high-quality plan for building an innovation ecosystem in Israel in the innovation lab's proposed activity area of activity.
- 4.4.3.5 Preference will be given to unique areas of activity in Israel that lack technological infrastructure for entrepreneurs.
- 4.4.3.6 Should it be decided to give preference to a manufacturing company according to that stated in clause 4.1.2 above, the preference will be stated as part of this criteria.

#### 4.4.4 Committee Members' General Impression (15%)

The score for this criterion will be awarded based on the committee members' general impression of the bidder and bid. The committee may invite the bidders to present the bid to the committee members, according to the guidelines to be published by the committee to all bidders at the time of the competitive process's publication.

#### 4.5 The Right to Review the Winning Bid and Committee's Protocol

- 4.5.1 Upon submitting the bid, a bidder who believes that parts of their bid include confidential trade and/or business information (hereinafter: "confidential information") which, in their opinion, should not be reviewed by other bidders after the conclusion of the competitive process, will:
  - 4.5.1.1 Provide a detailed list of their bid's confidential information and explain their rationale;
  - 4.5.1.2 Attach to the bid a copy of the proposal be presented to the other bidders, which includes only the parts which they agree to disclose to other bidders – in other words, with their bid's confidential information clearly and unambiguously crossed out. For the avoidance of doubt, do not remove parts of the bid; instead, cross out confidential information.
- 4.5.2 A bidder who did not mark parts of their bid as confidential will be deemed to have agreed to submit the entire bid to other bidders' review if they are declared a winner in the competitive process. Marking parts of a bid as confidential constitutes an admission that these parts of the bid are also confidential in other bidders' bids, and therefore the bidder waives in advance the right to inspect these parts of other bidders' bids.
- 4.5.3 A bidder wishing to review the competitive process documents (hereinafter: "the **petitioner**") will submit a request to the Innovation Authority within 10 business days from the date of the committee's notification about its decision about the winner of the competitive process in which they participated.
- 4.5.4 Discretion regarding the scope of the petitioner's right to inspection belongs solely to the committee. Should the committee decide to allow the review of certain parts specified in the winning bid, although they are specified as confidential, the committee will notify the winner and allow them to appeal this within a period appropriate to the matter's circumstances, at its discretion. Should the committee decide to reject the winner's appeal, the committee will notify the winner thereof before giving the material to the petitioner for review.
- 4.5.5 The committee will allow the petitioner to review only the materials permitted for review, within the scope to be determined by it, within 30 business days from the date of receiving the review request.
- 4.5.6 The committee may extend the said period, by reasoned decision to be sent to the petitioner within the said period, if the requested information's scope or complexity requires an extension. The extension will not exceed the period required for the said reasons, and in any event will not exceed 45 business days.

- 4.5.7 For the purposes of this clause, the documents permitted for review refer to the innovation lab selection committee's protocol (insofar as it relates to the winner of that competitive proceeding in which the petitioner participated) and the winning bid documents of the competitive proceeding in which the petitioner participated.
- 4.5.8 The right of review will not apply to parts of the winning bid and/or the committee's protocol which constitute information that is not to be transmitted or that which is not obligated to be transmitting according to the terms of clause 9 of the Freedom of Information Law of 5758 (1998).

## 5. The Selected Innovation Lab's Obligations

- 5.1 To act toward creating projects or locating existing projects, and then examine and select suitable projects for execution in the innovation lab.
- 5.2 To admit start-ups approved by the committee, assist them during their execution period in the formulation and testing of the product (technological feasibility), feasibility testing and marketing preparations, and pilot execution, according to the lab project's needs and milestones set by the committee.
- 5.3 To provide start-ups in their execution period with access to a unique technological infrastructure, knowledge, and expertise toward their success.
- 5.4 To provide start-ups in their execution period with an existing technological infrastructure or build an infrastructure as determined by the committee according to the incentive program's regulations, all according to the proposal presented as part of the competitive process. The innovation lab will operate on one site only and be entitled to a grant for this activity, as specified in clause 6 below. At the same time, a variety of existing infrastructures in Israel or abroad can be made available to the lab companies, at the innovation lab's discretion.
- 5.5 To provide professional and technical guidance to the start-ups during their execution period by the specializing company's R&D or the innovation lab's personnel. In exceptional cases and for reasons to be recorded, in which unique services will be needed that are not available in the innovation lab, it will be possible to hire an external supplier to fulfill this requirement, subject to prior approval by the committee.
- 5.6 To appoint a dedicated liaison (champion) with relevant experience to serve as the innovation lab's director, whose role will be to mediate between start-ups in their execution period and the relevant units in the specializing company, and the eco-system in the relevant industry.
- 5.7 To provide start-ups in their execution period and their entrepreneurs with a workspace, if necessary.

## 6. The Grant and the Selected Innovation Lab's Rights

- 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 setting up a technological infrastructure, at the rate of 33% of the total recognized expenses (50% for a lab located in the periphery) in the amount of up to NIS 4 million during the concession period. Financing from the Innovation Authority pursuant to this clause will be provided subject to the innovation lab admitting start-ups according to the following:
- 6.1.1 A grant not exceeding NIS 2 million, provided that at least two start-ups have been admitted to the innovation lab;
  - 6.1.2 The balance of a grant of up to NIS 4 million, provided that the innovation lab admitted at least four start-ups in total.
  - 6.1.3 Grant payments will be transferred to the innovation lab according to quarterly financial reports submitted by it.
- 6.2 The technological infrastructure to be established under clause 6.1 above will be used for collaboration with entities such as industrial and start-up companies (including lab companies).
- 6.3 In addition, for the sake of operating the innovation lab, the Innovation Authority will grant up to NIS 500,000 per year or 50% of the total recognized expenses, whichever is lower, in order to cover the recognized expenses of operating the selected innovation lab. For the avoidance of doubt, it is hereby clarified that the grant from the Innovation Authority pursuant to this clause will be in addition to the grant from the Innovation Authority provided for the establishment of the technological infrastructure as specified in clause 6.1 above, and will also be provided subject to the selected innovation lab admitting start-ups and as defined in The incentive program regulations established by the committee.

## 7. Principles of support to a Lab Project

- 7.1 An entrepreneur wishing to carry out a lab project will approach the selected innovation lab, which has received written confirmation from this incentive program, and submit a request for a lab project. The aforesaid innovation lab will, together with the entrepreneur, request approval from the Innovation Authority for the project to be recognized as a lab project. The submitted request will be for a period of 12 months and a budget of up to NIS 1 million. The request will be examined by a professional examiner on behalf of the Innovation Authority and be brought for discussion by the committee.
- 7.2 The committee will make a decision regarding the request's approval or rejection according to criteria determined by the committee in this regard as part of the incentive program regulations, which will include, among other things, a reference to the degree of technological innovation and depth, and the product's technological feasibility and business potential.

- 7.3 Any lab project approved by the committee will be notified of this and required to sign a letter of undertaking in a format to be determined by the committee, including a requirement that it be registered in Israel as a private company according to the laws of the State of Israel prior to commencing operation in the innovation lab. The approval will enter into force after the signing of the said letter of undertaking and the issuance of a letter of approval by the Innovation Authority to the lab company as aforesaid.
- 7.4 The payment manner and dates for a lab project approved by the committee will be according to regulations established for this purpose in Incentive program 3 – The Innovation Authority’s Technological Incubators – or other regulations determined by the committee in this matter, which will replace them.
- 7.5 The lab project will be carried out by the company incorporated as stated in clause 7.3 above; however, the company is entitled to use sub-contractors for various activities at a rate and according to regulations to be determined by the committee for this purpose.
- 7.6 The Innovation Authority’s participation in funding a lab project through a grant from the Innovation Authority of up to NIS 1 million or 85% of the total recognized expenses, whichever is lower, and for a period of up to 12 months, which will generally begin from the date of the request’s submission to the Innovation Authority; however, the committee may establish regulations regarding a different commencement of the execution period.
- 7.7 The transfer of grant payments from the Innovation Authority for recognized expenses will take place after the supplementary financing for those expenses has been transferred, and according to regulations to be determined by the committee.
- 7.8 The committee will reevaluate any decision it has made if, within 45 days from the decision’s date, the person regarding whom the committee made the said decision submits a written reasoned request for a reevaluation. Submitting a request for a reevaluation is subject to a fee according to the Regulations for the Encouragement of Research and Development in Industry (Fees) of 5766 (2006).

## 8. Knowledge and Production

Except as specified in clause 9 (Rights to Knowledge Developed in a Lab Project), the instructions, regulations, rules, and procedures of the Innovation Law publicized by its authority, and the terms of the Innovation Authority’s Incentive program 1 – R&D Funding – and the regulations and rules prescribed by its authority will apply to the Innovation Authority’s grant and the assistance granted under this track incentive and its sub-tracks, for the purpose of:

- 8.1 Ownership of knowledge derived from R&D under the approved plan and any right deriving from it.
- 8.2 Manufacturing in Israel and the obligation not to transfer production outside of Israel without the research committee’s prior approval.
- 8.3 The obligation not to transfer knowledge or rights deriving from the knowledge developed as part of an approved plan to another, in Israel or abroad, without the research committee’s prior approval.

## 9. Rights to Knowledge Developed in a Lab Project

With respect to the knowledge developed as part of the lab project (hereinafter: “**new knowledge**”), the new knowledge and the rights deriving from it will be wholly and exclusively owned by the lab company, including intellectual property rights. However, the committee may authorize the lab company to grant the innovation lab or any of its shareholders a non-exclusive license to use the new knowledge, or joint ownership of the new knowledge, in a scope not exceeding 50% for the innovation lab or for the specializing company, according to regulations to be determined by the committee, as long as use of the new knowledge by the innovation lab or specializing company does not violate the lab company’s right to use all or part of the new knowledge.

The terms of Incentive program 1 – R&D Funding – and the Innovation Law in the context of the preservation of knowledge and production rights in Israel or abroad and the transfer of the knowledge or rights deriving from it outside of Israel, will apply to grants under this incentive program, once the necessary changes have been made, including the innovation lab or specializing company (if incorporated in Israel and operates according to the laws of the State of Israel) if it owns the new knowledge.

## 10. Royalties

- 10.1 In respect of the grant provided to the innovation lab as part of the incentive program, no royalties will be required.
- 10.2 A lab company that received a grant for a lab project under clause 7 of the incentive program will be liable to pay royalties to the Innovation Authority from any income deriving from the product developed as part of the lab project or a product deriving from it, including services that accompany or are involved in the product, until payment of the grant granted to the lab project plus annual interest, according to the terms of the Innovation Law and those set out in incentive program 1 – R&D Funding – of the Innovation Authority in relation to royalties, including royalty rates.

## 11. Cancellation or Termination of Support

- 11.1 Should one or more of the following cases occur, the committee will consider it a fundamental breach of the incentive program’s terms and may decide on one or more of the following: cancellation of all or part of the subsidy, whether paid or unpaid, and may require repayment of the part paid plus interest and linkage differentials, as defined in the Adjudication of Interest and Linkage Law of 5721 (1961), from the date of their payment until the date of their actual return.
- 11.2 The selected innovation lab or the lab company did not comply with this incentive program’s terms, committee’s decision, letter of approval, letter of undertaking, incentive program’s regulations, or any other condition that it is required to comply with.

- 11.3 Providing false data as part of submitting a bid to serve as an innovation lab or a request to finance a lab project concerning this incentive program or thereafter.
- 11.4 Anyone required to return a grant granted to them, in whole or in part, will comply with the requirement within ninety days of the notice's date or by a later date prescribed in the notice, plus linkage and interest differentials as defined in the Adjudication of Interest and Linkage Law of 5721 (1961).

## **12. Submitting a Bid or Request**

- 12.1 A proposal to serve as an innovation lab will be submitted by the bidder according to dates to be published, as updated on the website from time to time, and will include all the details required by the incentive program and the said publications.
- 12.2 A request for a lab project grant will be submitted on a special form, prepared according to regulations the committee has determined or will determine from time to time, and accompanied by additional documents as requested by the committee or an entity authorized by it. Application forms for a grant from the Innovation Authority will be available for download on the website.

## **13. Entitlement to Other Innovation Authority Incentive programs**

- 13.1 The receipt of a grant from the Innovation Authority for the establishment and operation of an innovation lab as part of this incentive program does not prevent the selected innovation lab or specializing company from submitting a request and receiving a grant as part of another Innovation Authority incentive program, provided that a grant received in such other tracks is given for components different from those defined in this incentive program and is approved by the committee as part of this incentive program.
- 13.2 The receipt of a grant or incentive by a lab company for a lab project will not prevent the continuation of assistance from the Innovation Authority for the development of the knowledge due to which the incentive of this incentive program was gained.
- 13.3 Entitlement to a grant or incentive will apply only to those who have not received and are not receiving any additional incentive or financial assistance from the Innovation Authority or the State for the execution of the lab project or parts thereof, for which the grant was received under this incentive program.

## **14. Supervision and Monitoring**

The grant recipient undertakes to allow the Innovation Authority or anyone acting on its behalf, including external parties on its behalf, to review its activities at any time, on dates and conditions determined by them, and act according to the Innovation Authority's terms as determined from time to time.

## 15. Budget

- 15.1 It is hereby clarified that the Innovation Authority may update the amounts specified in this Incentive program's terms from time to time.
- 15.2 The provision of assistance and operation of this incentive program are subject to the budget's approval each year, budget limitations, and budget approved for this incentive program. In any event, this incentive program should not be regarded as an undertaking by the Innovation Authority for any payment.
- 15.3 If the Innovation Authority's budget is not yet approved on the allocation date, approval of the grant will be subject to the existence of a budget in the appropriate budgetary regulation and no final decision will be made regarding the approved grant until after approval of the State budget by the relevant parties, whichever is earlier.
- 15.4 Approval of a lab project will be according to the amounts allocated to it in the Innovation Authority's budget and at the committee's discretion.
- 15.5 In any case, this incentive program should not be considered as an undertaking by the Innovation Authority to enter competitive procedures at any time, approve projects, or transfer any payment.

## 16. Miscellaneous

- 16.1 The terms of the Innovation Law, the regulations, rules, procedures, and terms prescribed thereunder (if and to the extent prescribed) will apply to The incentive program pursuant to these terms, once the necessary changes have been made.
- 16.2 The incentive program's regulations, as determined and published from time to time by the committee, are an integral part of this incentive program. If there is a contradiction between the terms of this incentive program and the regulations, the terms of this incentive program will prevail.
- 16.3 Regulations, announcements, etc., determined in relation to this incentive program will be posted on the website.
- 16.4 The committee does not undertake to approve any request or bid, including a request to approve a lab project.

## 17. Commencement

This incentive program's terms were amended on August 8 2019 and replace those dated April 15, 2018.

## Appendix A – Fintech and Cyber Innovation Lab

### 1. General

The terms of Incentive program 29 – The Innovation Labs Program (hereinafter: “**The incentive program**”) will apply to Sub-Track A – A FinTech and Cyber Technology Innovation Lab (hereinafter: “**the sub-track**”).

### 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 the Innovation Authority, the Israel National Cyber Directorate of the Prime Minister’s Office (hereinafter: “the National Cyber Directorate”), and the Cyber Security and Emergency Department of the Ministry of Finance (hereinafter: “the Cyber Security and Emergency Directorate” and “the partners” respectively), which aims to promote the establishment of a FinTech and Cyber innovation lab.
- 2.2 The National Cyber Directorate operates the National CERT (Computer/Cyber Emergency Response Team) in the city of Be’er-Sheva. The National CERT, which was established in collaboration with the Israeli industry (civil and security) and the international industry, enables the formulation of a current situation and management of cyber events in real-time.
- 2.3 As part of the National CERT, the Cyber and Finance Continuity Center (hereinafter: “the Center”) was established, which is managed by the National Cyber Directorate and the Cyber Security and Emergency Department, and is experienced in cyber protection of financial processes and institutions throughout the country, specializing in financial processes, requirements and standards in the financial system, as well as cyber threats to the financial market. In addition, this Center is linked, as part of the National CERT, to dozens of CERTs worldwide, centers that integrate financial technologies (fusion centers), and commercial entities in the cyber and financial sectors.
- 2.4 The Cyber Emergency and Security Directorate has connections to key local and international entities, including financial and regulatory organizations, guidance and supervision entities, and government ministries that have unique information and an in-depth familiarity with financial institutions, access to relevant research and information from national entities, as well as connections to academia.
- 2.5 The purposes of the Innovation Labs Incentive Program - Fintech and Cyber Sectors are to create an international leadership in the field that combines FinTech and Cyber (FinSec), and for the sake of leveraging and making available the knowledge and experience accumulated in the Center and the partners’ connections, for the benefit of entrepreneurs and start-up companies, it was decided to establish an innovation lab in this field (hereinafter: “the FinSec Innovation Lab”); strengthening cyber aspects of Israel’s financial market, encouraging growth and competition in the domestic financial market, and encouraging foreign investments.
- 2.6 The following will replace clause 1.3 of the incentive program: “The FinSec lab will be established and operated by a technological corporation with a unique technological

infrastructure, knowledge, and expertise in Israel and abroad in computerization and infrastructure.”

### 3. Definitions

In this Innovation Labs Incentive Program - Fintech and Cyber Sectors, the following terms will be defined as follows, even if stated otherwise in the body of the incentive program.

#### 3.1 “Financial Entity”

One or more of the following:

- 3.1.1 A “banking corporation,” as this term is defined in clause 1 of the Banking (Licensing) Law of 5741 (1981);
- 3.1.2 A “liquidator,” as this term is defined in clause 36l of the Banking (Licensing) Law of 5741 (1981);
- 3.1.3 An “insurer,” as this term is defined in clause 1 of the Financial Services Control (Insurance) Law of 5741 (1981).
- 3.1.4 Corporations similar to the above-mentioned entities, which were incorporated outside of Israel.

#### 3.2 “The City of Be’er-Sheva”

As defined by the Ministry of Interior.

#### 3.3 “Specializing Company”

(1) A technological corporation, whether legally incorporated and operating according to the laws of the State of Israel or not, with a unique technological infrastructure, knowledge, and expertise in Israel or abroad in computerization and infrastructure, and has knowledge and expertise in Israel or abroad in the finance and/or cyber sectors.

or

(2) a financial entity as defined in clause 3.1 above.

### 4. Committee Composition

As part of this sub-track, the following members will be part of the committee:

- 4.1 The Head of the National Cyber Directorate or a representative appointed by them – a member;
- 4.2 The Head of the Cyber Security and Emergency Department or a representative appointed by them – a member.

## 5. Prerequisites

5.1 The following will replace that stated in clause 4.2.2 of The incentive program:

“A specializing company, whether the bidder themselves or one of the bidder’s shareholders, has at least 500 employees as of the bid’s submission date, and its sales volume is at least NIS 1 billion in the calendar year preceding the year in which the competitive process was published. It should be clarified that it is not possible to combine several specializing companies in order to meet this prerequisite.”

5.2 As part of this sub-track, an additional prerequisite will be added to the prerequisites specified in clause 4.2 of the incentive program: The bidder is held, whether directly or indirectly, by at least one financial institution that has infrastructure in one or more of the following areas: banking, securities, credit, clearing, and insurance.

In order to prove the financial institution’s compliance with this prerequisite – an affidavit of the financial entity’s authorized signatory according to wording to be determined by the committee in The incentive program’s regulations.

## 6. Criteria

6.1 To the first paragraph of clause 4.5, it will be added that where the specializing companies holding the bidder are examined, the financial entities will also be examined.

6.2 As part of this sub-track, the following clause will be added to the criterion “The Bidder’s Added Value and That of Its Shareholders” specified in clause 4.5.2 of the incentive program: “Preference will be given to a program that will commit to making financial information more comprehensive and diverse.”

6.3 As part of this sub-track, clauses 4.5.3.6 and 4.5.3.7, which are under the “Business Plan” criterion specified in clause 4.5.3 of the incentive program, will not be examined.

## 7. The Selected FinSec Lab’s Obligations

As part of this sub-track, the following five obligations will be added to the selected innovation lab’s obligations as detailed in clause 5 of The incentive program:

7.1 To establish the FinSec lab in the city of Be’er-Sheva.

7.2 To admit cyber and FinTech start-ups (for example, financial system security, blockchain technology, credit transaction clearing, InsureTech, etc.), which were approved by the committee.

7.3 To assist start-ups during their execution period, including proving the technological concept, implementation, technological and business testing, proof of feasibility, pilot execution, etc., in order to ensure the product’s suitability to dealing with cyber threats according to the financial sector’s requirements, make available a financial infrastructure

and systems, and adapt it to regulation, all according to the lab project's needs and milestones set by the committee.

7.4 To make available to the lab companies, as much as possible, the services detailed in clause 8 below, according to their needs.

7.5 To act in coordination with the contact person from the Cyber Security and Emergency Directorate regarding delegations, visits, and conferences.

## **8. The Grant and The Selected FinSec Lab's Rights**

As part of the Innovation Labs Incentive Program - Fintech and Cyber Sectors, the following five clauses will be added to the grant and the selected innovation lab's rights, as detailed in clause 6 of the incentive program:

8.1 The Center will, to the extent possible, make accessible civil information approved for publication and sharing for the benefit of the FinSec lab and the start-ups according to their needs, including sharing information – including analyses of data and information on cyber-attacks and intelligence – advice, and lecturers with the lab depending on their availability, sharing of information and technologies, information on PT infrastructure and capabilities, processes, regulation, and data existing in the Center. Collaboration between the FinSec lab and the Center for this purpose will enable the development of professional working interfaces and exchange of knowledge in short circuits, in order to enable development and innovation adapted to the dynamic challenges on this topic. It is clarified that the exact nature of the work interfaces will be defined according to the operational characteristics and operational and legal limitations resulting from the National Cyber Directorate's characteristics as an entity responsible for cyber protection, and the rights of third parties to the information.

8.2 The National Cyber Directorate and the Cyber Security and Emergency Department will assist the FinSec lab and start-ups in connections to international governmental and financial entities, financial infrastructure providers, and regulators in Israel and abroad, subject to any law. In addition, they will help promote the FinSec lab as a knowledge and innovation center in the financial cyber sector.

8.3 The unique services will be made accessible to the FinSec lab through a contact person from the Cyber Security and Emergency Department who will operate on its behalf in the FinSec lab to ensure continuous communication.

8.4 The Cyber Security and Emergency Department contact person will present the public sector's FinTech and cyber needs to the FinSec lab on a non-exclusive basis. Based on the needs presented, the FinSec lab will be able to publish calls for proposals to start-up companies in the relevant focus areas. For the avoidance of doubt, the FinSec lab will be entitled to admit start-ups in subjects that are not included in these calls for proposals, subject to the terms of The incentive program, sub-track, and relevant regulations.

8.5 Joint activity between the National Cyber Directorate, the National CERT, and the Center – and the FinSec lab and start-ups will be conducted in a manner that will not

endanger the operational activities of these entities and their responsibility for cyber protection, all at the discretion of the Head of the National Cyber Directorate or anyone acting on their behalf. In addition, access to information from the National CERT and the Center will be provided exclusively according to the National Cyber Directorate's rules and discretion, while balancing the FinSec lab and lab companies' needs with not violating the National Cyber Directorate's commitments.

## 9. Principles of Lab Project Support

The following will replace that stated in clause 7.1 of the incentive program:

“An entrepreneur wishing to carry out a lab project will approach the selected FinSec lab, which has received written confirmation from this sub-track, and submit a request for a lab project. The said FinSec lab will, together with the entrepreneur, request approval from the Innovation Authority for the project to be recognized as a lab project. The submitted request will be for a period of six months and a budget of up to NIS 0.5 million. The request will be examined by a professional examiner on behalf of the Innovation Authority and be brought before the committee for discussion.”

The following will replace that stated in clause 7.6 of The incentive program:

“The Innovation Authority's participation in financing a lab project through a grant from the Innovation Authority will be in the amount of NIS 425,000 or 85% of the total recognized expenses, whichever is lower, and for a period of up to 6 months, which will generally begin from the date of the request's submission to the Innovation Authority; however, the committee may establish regulations regarding a different commencement to the execution period.”

## 10. Commencement

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

## Appendix B: Environmental and Sustainability Innovation Lab

### 1. General

The terms of Incentive program 29 – The Innovation Labs Program (hereinafter: “The incentive program”) will apply to Sub-Track B – An Environmental and Sustainability Innovation Lab (hereinafter: “**Innovation Labs Incentive Program - Environmental and Sustainability Sectors**”), unless explicitly stated otherwise in the body of the 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 Israel Authority for Technological Innovation (hereinafter: “**The Innovation Authority**”), Israel Ministry of Environmental Protection, and Ministry of Economy and Industry (hereinafter: “**The Ministry of Economy**” and “**The Partners**” accordingly), which is intended to promote the establishment of an environmental protection and sustainability technology innovation lab (hereinafter: “**Environmental and Sustainability Innovation Lab**”).
- 2.2 The Ministry of Environmental Protection works to reduce and prevent pollution and environmental risks, while reducing economic and social gaps, in order to improve the country’s residents’ health and protect their lives in the present and future. Among other things, the Ministry of Environmental Protection is charged with regulating the matter of environment as it relates to businesses and factories concerning legislation within its authority for the purpose of protecting public health, the environment, and natural resources.
- 2.3 The Ministry of Economy is responsible for advancing the Israeli economy, developing human capital, and encouraging industry, investments, and competition. The Ministry of Economy is responsible, among other things, for increasing growth by promoting R&D as a tool for developing a high-tech industry, improving the Israeli economy’s competitiveness and promoting international economic activity, and improving government regulation.
- 2.4 The partners have identified a need to establish an environmental and sustainability innovation lab considering the growing environmental challenges in Israel and worldwide that require the development and implementation of technological solutions in the environmental protection sectors intended for industry.
- 2.5 These solutions will be created by encouraging the development of innovative ideas with high global potential in the environmental protection technologies sectors and encouraging collaboration between start-up companies and corporations, in order to

improve the competitive and environmental performance of these entities and the environmental protection technology sector in Israel. These collaborations will encourage business growth in the economy, establishment of projects in the environmental protection and foreign investment sectors, alongside improved environmental protection, thereby contributing to the strengthening and advancement of the Israeli economy.

2.6 The following will replace clause 1.3 of the incentive program: “The Environmental and Sustainability Innovation Lab will be established and operated by a corporation with a unique technological infrastructure, knowledge, and expertise in Israel or abroad in the environmental protection sectors.”

### 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 “Specializing Company”

A technological corporation, whether legally incorporated and operating according to the laws of the State of Israel or not, which has a unique technological infrastructure, knowledge, and expertise in Israel or abroad in environmental protection technologies.

#### 3.2 “Manufacturing Industry Company”

A specializing company that physically or chemically transforms materials or components into new products, using machinery.

#### 3.3 “Environmental Protection Technologies”

Technologies that reduce pollution and environmental risks, and include, among other things, the following areas, which will be approved by the committee: reducing air pollution from industry, transport, and fires in open areas; preventing and reducing pollution and hazards from hazardous substances, asbestos, and pesticides; optimizing manufacturing processes and cleaner manufacturing processes, for reducing pollutant emissions and/or streamlining resources; treating and cleaning contaminated environments, such as contaminated water and soil; advanced materials and material testing methods; controlling and reducing hazards – noise, vibration, odor; monitoring and controlling pollution at its source and in the environment; developing and producing environmentally friendlier products, such as green construction; developing environmental services such as waste management, water resource management, and wastewater management; material recycling and reuse; clean energy production and storage; energy efficiency; pollution treatment process computerization and control; and more.

### 3.4 “Research Institution”

All the following:

- 3.4.1 An institution, including a hospital, that carries out academic R&D activities in a scientific or technological field, including the said institution’s commercialization company;
- 3.4.2 A recognized institution of higher education as defined in the Council for Higher Education Law of 5718 (1958), including the said institution’s commercialization company;
- 3.4.3 A government research institution that carries out academic R&D activities in a scientific or technological field, including the said institution’s commercialization company.

### 3.5 “Process Industry”

An industry characterized by the physical or chemical transformation of materials or components into new products, using automation.

## 4. Committee Composition

As part of this sub-track, the following members will be part of the committee:

- 4.1 A representative of the Ministry of Environmental Protection appointed by the Director General of the Ministry of Environmental Protection – a member;
- 4.2 An employee of the Industrial Administration in the Ministry of Economy appointed by the Director General of the Ministry of Economy – a member.

## 5. Prerequisites

The following will replace that stated in clause 4.2.2 of The incentive program:

“A specializing or manufacturing industry company, whether the bidding entity itself or one of the bidders’ shareholders, employs at least 100 employees as of the bid’s submission date, and its sales volume is at least NIS 100 million in the calendar year preceding the year in which the competitive process was published. It should be clarified that it is not possible to combine several specializing companies in order to meet this prerequisite.”

## 6. Criteria

6.1 As part of this sub-track, the following clause will be added to the criterion “The Bidder’s Added Value and That of Its Shareholders,” specified in clause 4.5.2 of The incentive program:

“Preference will be given to a joint bid by a specializing company and a manufacturing industry company, or to a bidder that meets the definitions of both a specializing company and a manufacturing company.”

6.2 As part of this sub-track, clauses 4.5.3.5 and 4.5.3.6 under the “Business Plan” criterion specified in clause 4.5.3 of The incentive program, will not be examined. The following clauses will replace them respectively.

6.2.1 Preference will be given to an environmental protection and sustainability technology innovation lab that will address the activity of a process industry with high environmental pollution potential located in proximity to population centers.

6.2.2 Preference will be given to an environmental protection and sustainability technology innovation lab that will create a strategic partnership with an academic research institution specializing in engineering and the environment, which will enable the identification of development opportunities in energy and the environment, and create mechanisms for collaboration between various entities operating in the innovation ecosystem.

## 7. The Environmental and Sustainability Innovation Lab’s Obligations

As part of the Innovation Labs Incentive Program - Environmental and Sustainability Sectors, the following will be added to the selected environmental protection and sustainability technology innovation lab’s obligations in clause 5 of the incentive program:

7.1 To assist start-ups in proving feasibility, in order to ensure that the product conforms to environmental and sustainability challenges according to regulations set by the Ministry of Environmental Protection, to make the infrastructure accessible and adapt it to regulation, all according to the lab project’s needs and milestones set by the committee.

7.2 To make available to the lab companies, as much as possible, the services specified in clause 8 below, according to their needs.

## 8. The Grant and The Environmental and Sustainability Innovation Lab’s Rights

As part of this sub-track, the following clauses will be added to the grant and selected innovation lab’s rights, as detailed in clause 6 of the incentive program:

8.1 The Ministry of Environmental Protection will make available, to the extent possible, data and information approved for sharing for the benefit of the environmental and sustainability innovation lab and start-ups regarding environmental protection

challenges, environmental licensing requirements, and emissions data. This collaboration between the environmental and sustainability innovation lab and the Ministry of Environmental Protection will enable the development of professional work interfaces and knowledge exchanges.

8.2 If necessary, the Ministry of Environmental Protection will grant the environmental and sustainability innovation lab and lab companies, regulatory guidance in licensing procedures insofar as the regulation under the jurisdiction of the Ministry of Environmental Protection is concerned, according to the Ministry of Environmental Protection's "procedure for handling a pilot facility for an environmental environment requiring environmental licensing" (from January 31, 2018), as in effect from time to time.

8.3 The Ministry of Environmental will provide a contact person for the environmental protection and sustainability technology innovation lab's benefit, for the purpose of making information and regulatory guidance available, as stated in clauses 8.1 and 8.2 above.

8.4 The Ministry of Economy and the Ministry of Environmental Protection will assist the environmental and sustainability innovation lab and lab companies, as much as possible, in creating and strengthening relations with government entities and international organizations. In addition, they will assist, to the extent possible, in advancing the environmental and sustainability innovation lab as a knowledge and innovation center for the industry.

## **9. Commencement**

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

## Appendix C: Digital Health Innovation Lab

### 1. General

The terms of Incentive program 29 – The Innovation Labs Program (hereinafter: “The incentive program”) will apply to Sub-Track C: A Digital Health Innovation Lab (hereinafter: “the sub-track”) unless explicitly stated otherwise in the body of the sub-track.

### 2. The Objectives of the Digital Health Innovation Lab

- 2.1 The Digital Health Innovation Lab is a joint track of the Israel Authority for Technological Innovation (hereinafter: “The Innovation Authority”) and the Headquarters of the National Digital Israel Initiative at the Ministry of Social Equality (hereinafter: “the Digital Israel Headquarters” or “the partners”, as the case may be) which aims to promote the establishment of a digital health technology innovation lab (hereinafter: “digital health technology innovation lab”).
- 2.2 The partners have identified a need to establish a digital health innovation lab, with an emphasis on biotechnological solutions, in view of the challenges facing this sector in Israel and around the world. The lab’s aim is to leverage Israel’s long-standing scientific excellence in computational biology, unique medical and genomic sources of information, leadership in information technology, computational and artificial intelligence, and advanced healthcare system for the development of innovative biotechnological solutions that will integrate artificial intelligence processes for fruitful collaboration in Israel and worldwide.
- 2.3 These solutions will be created by encouraging the development of computational technologies designed to develop biotechnological solutions with high global business potential and encouraging collaboration between start-ups and corporations in order to upgrade the competitive advantage of start-ups and corporations in these sectors in Israel. These collaborations will help establish and develop new ventures, encourage foreign investments, and innovation in the Israeli health system, thereby contributing to the strengthening and advancement of Israel’s economy and public health.

### 3. Definitions

In this sub-track, the following terms will be defined as follows, even if stated otherwise in the body of the incentive program.

3.1 “**Specializing Company**” – one of the following:

(1) a biotechnology company

or

(2) a technological corporation

### 3.2 “Biotechnology Company”

A corporation that researches, develops, manufactures, and markets biotechnological solutions and possesses a unique technological infrastructure, knowledge, and expertise in Israel or abroad in industry, whether legally incorporated in the State of Israel or not.

### 3.3 “Technological Corporation”

A corporation whose main activity is researching, developing, and manufacturing technology or providing technology as a service, such as electronic products, software, internet-based services, including electronic commerce, whether legally incorporated in the State of Israel or not.

### 3.4 “Health Organization”

Any institution in which medical and research activities are conducted, including various types of hospitals, health funds, clinics, medical institutions, and service providers, operating by law in the State of Israel or in the country of its activity.

### 3.5 “Research Institution”

All the following:

- 3.5.1 A recognized institution of higher education, as defined in the Council for Higher Education Law of 5718 (1958), or an institution of higher education abroad whose degrees are recognized by the Ministry of Education’s body for the evaluation of academic degrees from abroad, including the said institution’s commercialization company;
- 3.5.2 A governmental research institution in Israel or abroad, in which academic R&D activities in the science or technology sectors are conducted, including the said institution’s commercialization company.

### 3.6 “Investor”

A for-profit entity that invests some of its funds in high-risk computational biology and biotechnology projects and companies.

## 4. Committee Composition

As part of this sub-track, the following member will be added to the committee composition:

- 4.1 The Head of the Digital Israel Headquarters or a person appointed by them – a member.

## 5. The Process of Choosing an Innovation Lab

- 5.1 The following will replace clause 4.1.3 of The incentive program:

“Selection of an innovation lab will be carried out by the committee according to the terms detailed in this sub-track. The selected bidder will be notified of this and required to sign a letter of undertaking in a format to be determined by the committee. Confirmation of the selection will come into effect after the signing of the said undertaking and the issuance of a

letter of approval by the Innovation Authority to the innovation lab that won the competitive process, for a concession period of 5 years from the date of the letter of approval (hereinafter: 'the concession period')."

## 6. Criteria

6.1 As part of this sub-track, the following sub-clause will be added to the criterion "Scope and Quality of The Bidder's Experience and That of Its Shareholders," as set out in sub-clause 4.5.1 of The incentive program, and will be numbered 4.5.1.4:

"Preference will be given to a digital health technology innovation lab that demonstrates knowledge and considerable expertise in computational biology, artificial intelligence, and biotechnological solutions."

6.2 As part of this sub-track, the criterion "The Bidder's Added Value and That of Its Shareholders," specified in clause 4.5.2 of The incentive program, will be amended as follows:

6.2.1 Subsequent to the terms of sub-clause 4.5.2.1, the following will be added:

"In addition, preference will be given to a digital health technology innovation lab with a computational lab, including access to and improvement of significant medical databases, and a wet lab with comprehensive equipment suitable for R&D of biotechnological solutions, in order to advance the lab projects."

6.2.2 An additional sub-clause, numbered 4.5.2.5, will be added and worded as follows:

"Preference will be given to a digital health technology innovation lab that will integrate synergetic partners, such as a technological corporation, biotechnology company, health organization, investor, and research institution."

6.3 As part of this sub-track, the "Business Plan" criterion in clause 4.5.3 of The incentive program will be amended as follows:

6.3.1 Further to sub-clause 4.5.3.1 of The incentive program, the following will be added:

"In addition, preference will be given to a digital health technology innovation lab that will create strategic partnerships with diverse and synergetic partners, such as a technological corporation, biotechnology company, health organization, investor, and academic research institution, which will enable the identification of opportunities to create ventures that will develop unique intellectual property and create mechanisms for collaboration between various entities operating in the ecosystem."

6.3.2 Sub-clause 4.5.3.6 will not be examined.

6.3.3 Additional sub-clauses, numbered 4.5.3.6 and 4.5.3.7, will be added and worded as follows:

“4.5.3.6 Preference will be given to a technological innovation lab that will present a business plan as part of which an investment committee of science, clinical, and business experts with relevant knowledge will be appointed, to advance the lab projects.

4.5.3.7 Preference will be given to a lab that will present a business plan in which mentors will be appointed to start-ups who are experts in developing biotechnological solutions that assist in the development process.”

## **7. The Selected Digital Health Technology Innovation Lab's Obligations**

As part of this sub-track, the following obligations will be added to the selected digital health technology innovation lab's obligations, which are detailed in clause 5 of the incentive program:

- 7.1 To assist the establishment and development of new projects in the fields of the lab's focus, including access to the relevant market and examination of various business models relevant to the discovery and development of biotechnological solutions.
- 7.2 To present a plan for access to a computational lab and a wet lab with comprehensive equipment suitable for the R&D of biotechnological solutions, in order to promote lab projects.
- 7.3 To assist the start-ups during their execution period, including proving the technological concept, implementation, technological and business testing, proof of feasibility, pilot execution, etc., in the fields of the lab's focus, and to make available relevant infrastructure, all according to the lab project's needs and milestones set by the committee.

## **8. The Grant and The Selected Digital Health Technology Innovation Lab's Rights**

- 8.1 As part of this sub-track, the following will replace that stated in clause 6.1 of The incentive program:

“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 setting up a technological infrastructure, including expenses for construction and access to a database, at the rate of 33% of the total recognized expenses (50% for an innovation lab located in the periphery) in the amount of up to NIS 6 million during the concession period. Financing from the Innovation Authority pursuant to this clause will be provided subject to the innovation lab admitting start-ups according to the following:

- 8.1.1 A grant of up to NIS 3 million may be requested, if at least two start-ups have been admitted to the innovation lab.
- 8.1.2 The balance of the grant, up to the total of NIS 6 million, may be requested provided that at least four start-ups have been admitted to the innovation lab.

8.1.3 Grant payments will be transferred to the innovation lab according to quarterly financial reports submitted by it.”

8.2 As part of this sub-track, the following will replace that stated in clause 6.3 of The incentive program:

“In addition, for the purpose of operating the innovation lab, the Innovation Authority will grant up to NIS 1 million per year or 50% of the total recognized expenses, whichever is lower, and according to the track’s regulations, to cover the recognized expenses of operating the selected innovation lab. For the avoidance of doubt, it should be clarified that the amount granted by the Innovation Authority under this clause will be in addition to the grant from the Innovation Authority that is provided for the establishment of the technological infrastructure as detailed in clause 8.1 of the sub-track (as amended above); it will also be subject to the selected innovation lab admitting start-ups and as defined in The incentive program regulations established by the committee.”

## 9. Principles of Lab Project Support

9.1 As part of this sub-track, the following will replace that stated in clause 7.1 of The incentive program:

“An entrepreneur wishing to carry out a lab project will approach the selected digital health lab, which has received written confirmation from this incentive program, and submit a request for a lab project. The aforesaid lab will, together with the entrepreneur, request approval from the Innovation Authority for the project to be recognized as a lab project. The submitted request will be for a period of 24 months and a budget of up to NIS 3 million, according to the track’s regulations. The request will be examined by a professional examiner on behalf of the Innovation Authority and be brought for discussion by the committee.”

9.2 As part of this sub-track, the following will replace that stated in clause 7.6 of The incentive program:

“The Innovation Authority’s participation in financing a lab project through a grant from the Innovation Authority of up to NIS 2.55 million or 85% of the total recognized expenses, whichever is lower, and according to the track’s regulations, and for a period of up to 24 months, which will generally begin from the date of the request’s submission to the Innovation Authority; however, the committee may establish regulations regarding a different commencement to the execution period.”

## 10. Commencement

This sub-track will commence on August 8, 2019.

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