

Anchiano Therapeutics Ltd.

Illegal or Unethical Conduct

Reporting Procedure

Approved by the Company's Board of Directors as of July 28, 2016

Anchiano Therapeutics Ltd.

Illegal or Unethical Conduct Reporting Procedure

1. Introduction

- 1.1. Anchiano Therapeutics Ltd. and its controlled companies (jointly – “the Company”) are committed to operating with the highest integrity and strictest of ethical standards, and in compliance with all applicable laws, rules, guidelines and ethical codes.
- 1.2. Our employees and managers are responsible for being familiar with all laws, rules, guidelines, ethical codes and Company policies applicable to their activities and for their full compliance with the above. They are further responsible for reporting improper conduct in a manner that will enable the Company to conduct its business with integrity and at the highest ethical standards.
- 1.3. We encourage employees to talk with their managers or with other suitable staff about any improper or unethical conduct they encounter, and if they have questions about the best course of action in a given situation. The following procedure aims to assist employees in fulfilling this responsibility.
- 1.4. The procedure reflects legislative requirements as of the date of its approval by the Company’s board of directors. Any change in the legislation underlying this procedure, including due to interpretation by competent authorities or the courts, may differ from the contents of this procedure and thus, in case of such change, the procedure will be reviewed and re-approved (if necessary) by the board of directors.

2. Who To Report To and How

- 2.1. Whenever an employee believes there is concern for a breach of ethical guidelines, laws and regulations applicable on the Company, concern for a breach of the Company’s ethical code or concern for a breach of various Company procedures, by any of the Company’s employees or managers, including in accounting and internal auditing matters, that employee must report to the internal auditor, Mr. Yossi Ginossar, CPA, personally, either by phone: 03-710-6555 or by email: yossi.ginossar@il.gt.com, or to the chairman of the Company’s audit committee, Mr. David Schlachet, either by phone: 02-548-6539 or by email: audit@anchiano.com (the internal auditor and the chairman of the audit committee, jointly – “the Relevant Persons”).
- 2.2. An employee may report as aforesaid verbally or in writing, either indicating that employee’s name or anonymously, at the employee’s discretion.

- 2.3. It is emphasized that anonymous reporting impedes the Company in handling and investigating the report and in some cases anonymous reporting may prevent the Company from correcting the problem. Therefore, employees must make every effort to report by name, albeit discretely, to the Relevant Persons, and to the extent possible to contact the Relevant Persons anonymously and include in their report all relevant information and documents available to them. Anonymous reports will be filed by anonymous email or by phone without providing identifying details.
- 2.4. In their report, employees must include all information available to them and provide sufficient information about the incident to enable the Company to properly investigate the incident.

3. Handling of Reports

- 3.1. Any person in the Company who has been approached by an employee pursuant to this procedure, will forward such report immediately to the chairman of the audit committee for review and preliminary inquiry. The chairman of the audit committee may defer the actual inquiry into the matter to the appropriate person at their discretion or to a person authorized under the Company's procedures (in case of any relevant procedures), and all according to the nature and type of report ("the Complaint Supervisor"). The Complaint Supervisor will update the chairman of the audit committee regularly on their inquiries and findings.
- 3.2. If the chairman of the audit committee finds that the report concerns a matter of material importance to the Company or raises real concern for unlawful activity or any other suitable incident, they will also update the CEO, the third-party legal counsel, the Company's CFO (or the Company's most finance officer) and any other person (as the chairman of the audit committee deems fit) of having received such report and on its investigation. The aforesaid notwithstanding, the chairman of the audit committee may decide not to update the aforementioned persons, or any of them, if he believes such update may undermine effective inquiry into the report.
- 3.3. In conducting an inquiry into the report, the Complaint Supervisor will involve in additional relevant persons (third-party legal counsel, internal auditor, auditor, etc.) as necessary and subject to prior approval by the chairman of the audit committee, and will take such actions as necessary to investigate the report. This includes questioning the relevant persons, including the employee who made the report, if the report was not made anonymously, establish time-frames for resolving the problem and formulating recommendations and actions necessary for resolving the problem, and all after consulting with the chairman of the audit committee.
- 3.4. Company employees are required to fully cooperate with any inquiry conducted under this procedure. If a lack of cooperation by a Company employee is encountered in

investigating the report, the Complaint Supervisor will update the chairman of the audit committee. Non-cooperation by a Company employee may constitute a disciplinary offense.

- 3.5. The Complaint Supervisor will provide the chairman of the audit committee with their findings concerning the report and their recommendations concerning the actions necessary to correct the problem raised in the report, if any. If the investigation of the report requires actions by other persons in the Group, these persons will also report on those actions under their respective responsibility.
- 3.6. The Company secretary or any other person chosen by the chairman of the audit committee (including, as necessary, the Company's third-party legal counsel) will be responsible for documenting all actions related to the investigation of the report pursuant to this procedure. All documents related to such documentation will be kept in the Company's offices in a manner that will prevent their access by unauthorized persons or in a manner that may disclose the employee's identity.
- 3.7. Once a quarter, the chairman of the audit committee will report to the audit committee and the Company's board of directors about reports made under this procedure and the status of their respective inquiries.

4. Protecting Employees

- 4.1. The Company undertakes to handle such reports with the utmost secrecy, protecting the reporting employee's dignity and privacy, including if and when conducting questioning as specified in above Section 3.3, and to protect the reporting employee from any harassment or retaliation.
- 4.2. The employee's work will not be undermined, directly or indirectly, solely by having filed a report under this procedure or having assisted another employee in filing a report under this procedure, which was filed by the employee in good faith or in whose filing the employee assisted in good faith. In any case where the reporting employee or the employee assisting with the report feels they are being harassed due to their report, they must immediately contact the chairman of the audit committee, using the contact details appearing in above Section 2.1.

In this procedure, "Work", meaning – terms of employment, promotion, professional training or instruction, termination or severance pay and benefits and payments given the employee in connection with their resignation.

- 4.3. The chairman of the audit committee and/or the Company's CEO will take all actions necessary to protect the employee and immediately stop any undermining of their Work.

Without prejudice to the aforesaid in this section, if an employee who has filed a report under this procedure, which was found to be of substance, complains to the chairman of the audit committee that their Work is being undermined, such complaint will be brought before the Company's audit committee for review. The employee and their superior may present their arguments to the audit committee so that a decision may be made in the matter. The audit committee's decision will be binding on the Company.

- 4.4. Free reporting of complaints or suspicions by Company employees or managers without fear of retaliation or any injury to their position is crucial for the implementation of this procedure and for the implementation of the Company's code of ethics and its policy of building a work environment based on integrity and fairness.
- 4.5. Company employees are required to fully cooperate with any internal or outside investigation into improper or unethical conduct.

5. Implementation, Updates, Circulation and Control

A copy of this procedure will be circulated to all Company employees and managers by email, and a copy of it will be posted on bulletin boards in central and public locations (kitchenette, etc.) in the Company, as possible.

6. Powers and Responsibilities of the Procedural Supervisor as Concerns Its Implementation

- 6.1. The Company's Internal Compliance Officer will be appointed as supervisor for this procedure ("Procedural Supervisor"). The Company's audit committee may replace the Procedural Supervisor at its discretion.
- 6.2. The Procedural Supervisor will be responsible for performing the following:
 - 6.2.1. Supervising compliance and enforcement of this procedure – Including the procedure's implementation by Company employees and managers, encouraging employees to consult their superiors, answering or clarifying questions by any Company employee and/or Company officers concerning reporting under this procedure.
 - 6.2.2. Professional updates – Updating the procedure as instructed by the Company's Internal Compliance Officer, issuing periodic circulars to relevant employees, which will include any legislative updates relevant to this procedure.

- 6.2.3. Having all Company employees and officers sign a declaration in the form specified in **Appendix A** to this procedure.
- 6.2.4. Verifying that all new Company employees and officers (including directors) receive a copy of this procedure and sign a declaration in the form specified in **Appendix A** to this procedure.
- 6.2.5. Circulating a refresher to this procedure once every six months by email to all Company employees and managers along with a copy of this procedure.
- 6.2.6. Tracking incidents of violations of this procedure, and flaws and failures in its implementation. Filing a summary report of such flaws and failures, documenting the resolution of each flaw, recommending actions and updating the procedure as necessary (“Flaws and Violations Report). Once a year, the Procedural Supervisor will submit the Flaws and Violations Report to the chairman of the audit committee and the internal auditor.
- 6.2.7. In case of a serious flaw and/or whose circumstances require immediate action, the Procedural Supervisor will update the chairman of the audit committee and the internal auditor.

7. General Notes

- 7.1. The provisions of this procedure will not prevent an employee from approaching their superiors on any matter or issue as they deem fit.
- 7.2. The provisions of this procedure shall not detract from the provisions of law, including the Employee Protection Law (Exposing Violations and Breaches of Ethics or Proper Conduct), 1997.
- 7.3. This procedure seeks to guide the Company, its managers and employees on proper conduct in employee reports on flaws and providing protection for employees making such reports. The procedure does not constitute a personal or collective employment agreement, and neither adds nor detracts from the Company’s employment agreements and/or grant rights under labor laws, including monetary rights.

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Appendix A – Declaration of Receipt of Procedure

To

Anchiano Therapeutics Ltd.

Dear Sir/Madam,

Confirmation of Receipt of Unlawful or Unethical Conduct Reporting Procedure

I have received a copy of the Unlawful or Unethical Conduct Reporting Procedure, I have read and understood it in full, I was given opportunity to ask any question and receive clarifications and had all my questions answered and received all clarifications requested, and I hereby undertake to comply with all its provisions.

Full name: _____

ID no.: _____

Title: _____

Date: _____

Signature: _____