



- 2.4. Reappointment of the accounting firm Brightman, Almagor, Zohar & Co. as the Company's auditors, until the end of the Company's next annual general meeting, as specified in Section 5 below.

3. **Approval of the Compensation Policy**

- 3.1 In light of Amendment 20 to the Companies Law taking effect, the Company has been acting for the formulation of a compensation policy for officers of the Company. The compensation policy is intended to define, describe and specify the compensation policy for directors and officers of the Company, as adopted by the Company's board of directors after receiving the recommendation of the Company's compensation committee, as specified below.
- 3.2 Under Section 267A of the Companies Law, the compensation policy is presented for approval by the general meeting of the Company's shareholders. The compensation policy is attached hereto as **Annex A**.
- 3.3 The compensation policy shall be effective for three years as of the date of approval thereof by the Company's general meeting and, once every three years, the compensation policy shall be presented for the approval of the competent organs of the Company, in accordance with Section 267A(d) of the Companies Law. It is noted that, as of today, the Company has no effective compensation policy approved under the provisions of Section 267 of the Companies Law.
- 3.4 The participants in the meetings of the Company's compensation committee, in which the compensation plan was discussed, were Messrs. Efraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover and Tzipora Carmon (commencing from the date of her appointment). The participants in the meeting of the Company's board of directors, in which the policy was approved in accordance with the recommendation of the compensation committee, were Messrs. David Azrieli, Danna Azrieli, Menachem Einan, Dr. Naomi Azrieli, Dr. Sharon Azrieli, Joseph Ciechanover, Tzipora Carmon, Efraim Halevy and Prof. Niv Ahituv. The resolution to adopt the compensation policy was unanimously adopted by the Company's compensation committee and board of directors. For further details, see Section 3.10 below.
- 3.5 As part of the process of formulating the compensation policy, the Company's management and external consultants having expertise and experience in the field of compensation appeared before the compensation committee and the board of directors. In addition, comparative data were presented before the compensation committee and the board of directors with respect to officers in comparable companies.
- 3.6 It is noted that the compensation committee and the board of directors approved that the current terms of office and employment of the

Company's officers are in line, in all material aspects, with the compensation policy presented for approval.

3.7 The compensation terms of directors of the Company, who are controlling shareholders, were approved by the Company's competent organs, after Amendment 20 had entered into effect, shortly before the approval of the compensation policy by the Company's compensation committee and board of directors (in May and June 2013) and concurrently with discussions they held with respect to the appropriate compensation policy at the Company, and they are effective for a period approximately coinciding with the term of the compensation policy. The compensation committee and the board of directors are of the opinion that such terms are reasonable and fair under the circumstances and are in keeping with an appropriate compensation policy<sup>1</sup>. In view of the aforesaid, for the purpose of the compensation policy, the terms of compensation of the directors of the Company who are controlling shareholders shall be deemed, for the term of the compensation policy, as compatible, in all material aspects, with the Company's compensation policy.

3.8 Following is a summary of the reasons and considerations of the Company's board of directors and compensation committee in the determination and approval of the compensation policy:

3.8.1 The compensation policy was prepared in consideration of the nature of the company as a company which is active mainly in the field of income-producing property and its being among the largest companies in the Israeli economy, which is included in the TA-25 Index and in the Real Estate 15 Index. The policy is based on many years of experience in managing the Company, in its field of business and in the business volume, and on determinations deriving from many years of implementing a unique management method which has led the Company to impressive achievements.

3.8.2 The compensation policy is intended to assist in achieving the Company's goals, its policy and its work plans, and, *inter alia*, with the following aims:

3.8.2.1 To grant the Company's officers considered, fitting and fair compensation, in consideration of their role and responsibilities.

---

<sup>1</sup> Presently, such directors are the Chairman of the Board, Mr. David Azrieli, the Vice Chairman of the Board, Ms. Danna Azrieli and the directors Dr. Naomi Azrieli and Dr. Sharon Azrieli. For the terms of office and employment of the Chairman of the Board and the Vice Chairman of the Board, see the immediate report released on June 6, 2013 (Reference No.: 2013-01-058431), including an annex to such report – an economic paper. For the terms of office of the directors Naomi Azrieli and Sharon Azrieli, see the immediate report released on May 14, 2013 (Reference No.: 2013-01-062026).

- 3.8.2.2 The Company will be able to recruit and retain top-level high-quality senior executives, having specific expertise and professional knowledge, the ability to lead the Company to business success and to cope with the challenges it faces;
- 3.8.2.3 The officers' compensation will be in keeping with the Company's size and the nature of its business.
- 3.8.3 As a rule, the compensation policy reflects the existing situation at the Company with respect to compensation of officers while adjusting the same to the current legal provisions. The compensation policy is intended to provide a sufficiently broad framework to allow the Company's compensation committee, board of directors and CEO, as the case may be, to determine for each one of the officers, a personal compensation plan, according to the needs of the Company and in keeping with the best interests of the Company, its employees and its shareholders and the Company's overall long-term strategy.
- 3.8.4 In formulating the compensation policy, consideration was given, *inter alia*, to the Company's customary officer compensation levels and terms of employment in previous years. It is notified in this context that the group of officers of the Company is a relatively small group, most of which has been employed at the Company for long periods, and it consists of officers who have unique expertise and vast experience in their specific field of occupation.
- 3.8.5 In formulating the policy, it was determined that, with respect to the officers of the Company (with the exception of the Chairman of the Board), the fixed component is required to carry the main weight in the total compensation package of the officers of a company of the Company's type and character, and it was therefore determined that it shall amount to at least 80% of the total of compensation components<sup>2</sup>, based on the view that such a mix has a mitigating effect on the risk profile of the conduct of the officers, relative to a mix in which the weight of the variable compensation (based on numerical targets) is more significant. Furthermore, such mix encourages action based on long-term vision and considerations and conduct founded upon long-term processes.

---

<sup>2</sup> It is clarified that such ratio may vary due to index linkage differentials. It is further noted that, in the past, officers of the Company were granted phantom options, which are due to expire in 2015 (a new framework for the granting of such phantom options is not approved within the compensation policy). Therefore, the rate of the fixed compensation in respect of officers, as stated above, does not include compensation deriving as a result of the exercise of phantom options granted prior to the adoption of the compensation policy.

3.8.6 In the course of the deliberations on formulating the compensation policy, the compensation committee and the board of directors examined comparative data in respect of several public companies, which are included in the Real Estate 15 and TA-25 indices, insofar as relevant data has been released thereby. The comparative data included compensation paid to senior officers in public Israeli companies, which are included in the TA-25 Index, such data being based on the periodic reports for 2012 and immediate reports of such companies, insofar as released. The data in the aforesaid economic paper included an average and a median of all of the data of the sample companies as well as minimum and maximum figures. Furthermore, figures were presented with respect to the relation between the Company's general and administrative expenses and relevant comparable companies.

The compensation committee and the board of directors have noted that the purpose of the comparative paper is receipt of indicative information concerning the amounts of compensation customary in the Israeli market, and, due to the limitations thereof, it is not an exact science and therefore constitutes merely one indication within the gamut of considerations before them when considering the Company's best interests and the fair and reasonable compensation.

The comparative paper was attached to an immediate report that was released on June 6, 2013 (Reference No. 2013-01-058431) as an annex to this report and is incorporated by reference.

3.8.7 The Company's compensation committee and board of directors also examined the ratio between the salary<sup>3</sup> of the officers of the Company according to the policy and the salary of the other employees of the Company, and, particularly, the ratio relative to the average salary and the median salary of the other employees of the Company, and they have found such ratios to be reasonable and not expected to have an effect on the working relations at the Company. Additionally examined were the general and administrative expenses of the Company, which is of exceptional magnitude and business volume, which expenses are low relative to other companies traded under the Real Estate 15 Index.

### 3.9 Details regarding the Controlling Shareholders of the Company

Mr. David Azrieli and his four children are considered the controlling shareholders of the Company, by virtue of indirect holding of the

---

<sup>3</sup> For this purpose: "salary" – as defined in the First Schedule A to the Companies Law.

Company's shares through Azrieli Holdings Inc. ("**Azrieli Holdings**"), and by virtue of the shareholders agreement that governs the relations of the shareholders of Azrieli, as specified below:

To the best of the Company's knowledge, Azrieli Holdings is a private company incorporated under Canadian law. Azrieli Holdings holds all of the share capital of Nadav Investments Inc. ("**Nadav Investments**"), which is the direct controlling shareholder of the Company, by virtue of holding approx. 64.99% of the capital and voting rights in the Company. Azrieli Holdings is wholly owned and controlled by members of the Azrieli family: Mr. David Azrieli, Chairman of the Company's board of directors, directly and indirectly holds approx. 42.32% of the issued and paid-up share capital of Azrieli Holdings, and his four children directly and indirectly hold the remaining share capital of Azrieli Holdings, as follows: Naomi Azrieli, Sharon Azrieli and Danna Azrieli: approx. 15.26% each, and David Azrieli in trust for Rafi Azrieli: approx. 11.9%. Mr. David Azrieli and his four children, Sharon Azrieli, Naomi Azrieli and Danna Azrieli and David Azrieli in trust for Rafi Azrieli, directly and through companies controlled by them (jointly: the "**Shareholders**") and Azrieli Holdings, as defined above, entered into an agreement dated November 19, 2012, which governs the conduct of Azrieli Holdings and the relationship between the Shareholders, including with respect to the holdings of the Company's shares (through Nadav Investments) (the "**Shareholders Agreement**"). Under the Shareholders Agreement, Mr. David Azrieli was vested with all of the voting rights in Azrieli Holdings for his lifetime, including due to Azrieli Holdings shares held by his children, such that his voting at Azrieli Holdings will be carried out according to his exclusive discretion.

### 3.10 Personal Interest

With respect to the participation of directors in the discussions of the compensation committee and the board of directors and their resolutions in connection with the approval of the compensation policy, in light of the provisions of Amendment 20 to the Companies Law, all of the directors participated in the discussions of the compensation committee and board of directors and voted in connection with the compensation policy, albeit the personal interest that all of the directors hold in respect of the Company's compensation policy due to the fact that the policy also addresses the compensation of directors.

However, it is noted that, for the sake of caution, in the discussion and resolution on the part of the compensation policy that addresses the compensation of directors whose compensation arrangements differ from those of the other directors (i.e., Messrs. David Azrieli, Danna Azrieli, Naomi Azrieli, Sharon Azrieli and Menachem Einan), such directors were not present.

4. **Reappointment of Presently Serving Directors**

- 4.1 It is proposed to approve the reappointment of the directors who are presently serving as members of the Company's board of directors, other than outside directors, i.e. Messrs. David Azrieli, Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover (as an independent director) and Tzipora Carmon (as an independent director), until the end of the Company's next annual general meeting. The salary and terms of service of the directors, as the case may be for each of them, shall remain unchanged, including the continued effect of the letters of indemnification, exemption and insurance for the directors. The vote in respect of the approval of the appointment of each of the directors shall be conducted separately.
- 4.2 All of the directors whose appointment is proposed are presently serving on the Company's board of directors. For details in respect of the directors, to the best of the Company's knowledge, which details are required under Regulation 36B(a)(10) and Regulation 26 of the Immediate Reports Regulations, see Regulation 26 of the corporate governance report within the Company's periodic report for 2012 (released on March 20, 2013, Reference No. 2013-01-069166, hereinafter: the "**Periodic Report**"), which are incorporated herein by reference. Details as aforesaid concerning Tzipora Carmon are attached as **Annex C** hereto.
- 4.3 For details concerning the terms of the management agreements with the Chairman of the Board, Mr. David Azrieli, and the Active Vice Chairman of the Board, Ms. Danna Azrieli, which were approved by the Company's general meeting on June 20, 2013, see the Company's immediate report of May 14, 2013 (Reference No.: 2013-01-062020). For details about the terms of the management fee agreement with Mr. Menachem Einan and for details concerning the compensation paid to the other directors of the Company, see Regulation 21 of the corporate governance report within the Periodic Report. For details concerning the compensation paid to Ms. Tzipora Carmon, see the Company's report of May 8, 2013 [Reference No.: 2013-01-057697]. For details regarding the terms of exemption, indemnification and insurance of the directors of the Company, see Regulation 29 (Section B(2)) of the corporate governance report within the Periodic Report and Note 38D of the Company's financial statements as of December 31, 2012, which are included in the Periodic Report.
- 4.4 Each one of the directors nominated for reappointment has signed a statement of a nominee for service as director in accordance with the provisions of Section 224B of the Companies Law, a copy of which is attached hereto as **Annex C**. The outside directors of the Company, Mr. Niv Ahituv and Mr. Efraim Halevy, shall continue their service under law.

5. **Reappointment of Auditor**

It is proposed to approve the reappointment of the accounting firm Brightman Almagor Zohar & Co. as the Company's auditor until the end of the Company's next annual general meeting. In accordance with the Company's articles of association, the Company's board of directors has been authorized, after receipt of the recommendation of the Company's audit committee, to determine the auditor's fee for audit functions and for additional services according to the nature and scope of the services provided and to be provided to the Company. For details regarding the fee paid to the auditor for 2012, see Section 7 of the corporate governance report within the Company's periodic report as of December 31, 2012.

6. **Required Majority and Authority to Approve**

6.1 The majority required for adoption of the resolution specified in Section 2.1 of the agenda is a simple majority of all of the votes of the shareholders who are present at the general meeting, who are entitled to vote and who voted therein, excluding the abstaining votes, provided that one of the following is met: (a) the majority vote count in the general meeting shall include a majority of all of the votes of shareholders who are neither the controlling shareholders of the Company nor hold a personal interest in the approval of the compensation policy, who participated in the vote; the count of votes of all of the votes of the aforesaid shareholders shall exclude the abstaining votes; (b) all of the dissenting votes among the shareholders mentioned in Subparagraph (a) above shall not exceed a rate of 2% of all of the voting rights in the Company.

It is emphasized that due to the fact that the Company is not a public second-tier subsidiary, then, under the provisions of Section 267A(c) of the Companies Law, the Company's board of directors may set the compensation policy even if the general meeting shall have objected to the approval thereof, provided that the compensation committee, and thereafter the board of directors, shall have resolved, based on specified reasons and after a renewed discussion of the compensation policy, that the approval of the compensation policy, albeit the objection of the general meeting, is in the Company's best interests.

6.2 The majority required for the approval of the resolutions specified in Sections 2.3-2.4 of the agenda is a simple majority of all of the votes of the shareholders who are present, either in person or by proxy, and who are voting at the general meeting, excluding the abstaining votes.

7. **Record Date**

The record date for the determination of the entitlement of a shareholder in respect of the right to participate and vote at a meeting, as prescribed by Section 182 of the Companies Law, is the close of trading at TASE on Wednesday, August 14, 2013 (the "**Record Date**"), and if no trading shall have taken place on the Record Date – the first trading day prior thereto.



8. **Voting Method**

Shareholders may vote on all of the resolutions on the aforesaid agenda, either personally or by proxy and also via voting card.

A shareholder may appoint a proxy to participate and vote in his stead, whether in a specific general meeting or in the Company's general meetings in general, provided that the letter of appointment of the proxy shall have been delivered to the Company at least 48 hours before the time of the general meeting, unless the Company shall have waived such requirement. A proxy is not required to be a shareholder of the Company.

If the letter of appointment is not for a specific general meeting, then a letter of appointment deposited prior to one general meeting shall also be effective in respect of other general meetings thereafter.

The aforesaid shall also apply to a shareholder which is a corporation, which appoints a person to participate and vote in its stead at the general meeting.

A letter of appointment shall be signed by the shareholder or a person authorized therefor in writing, and if the appointing shareholder is a corporation, it shall be signed in a form that binds the corporation. The Company may require that a written confirmation be delivered thereto, to its satisfaction, regarding the power of the signatories to bind the corporation. A letter of appointment shall be drafted in the language specified in the Company's articles of association. The Company Secretary or the Company's board of directors may accept, as per their discretion, a letter of appointment in a different language, provided that the modifications are not material. The Company shall only accept an original letter of appointment, or a copy thereof, provided that it is certified by a notary or an attorney at law holding an Israeli license.

Voting pursuant to a letter of appointment shall be lawful notwithstanding the prior death of the appointing shareholder or his incompetence or bankruptcy, or, in case of a corporation – its dissolution, or the cancellation of the letter of appointment or the transfer of the share in respect of which it was provided, unless a written notice of the occurrence of such event shall have been received at the Company's registered office prior to the meeting.

Subject to the provisions of any law, the Company Secretary may, as per his discretion, disqualify letters of appointment if there is reasonable concern that such are forged or were issued by virtue of shares, under which other letters of appointment had been issued.

Pursuant to the Companies Regulations (Proof of Ownership of a Share for the purpose of Voting at the General Meeting), 5760-2000, a shareholder to whose credit a share is registered with a TASE member, which share is included among the shares registered in the register under the name of the transfer agent of Bank Leumi LeIsrael, who wishes to vote at the general meeting, shall furnish the Company with a confirmation from the TASE member concerning

his ownership of the share on the Record Date, as required by the aforesaid regulations. The aforesaid confirmation of ownership shall be delivered to the Company at least two business days prior to the date of the meeting.

Insofar as the shareholder is a shareholder registered in the Company's register, a copy of an identity card or a certificate of incorporation shall be attached to the letter of appointment.

9. **Legal Quorum**

Legal quorum for opening the discussion at the meeting shall consist of one or more shareholders, who is/are present in person or by proxy or via voting card, and holding or representing at least fifty one percent (51%) of the voting rights in the Company.

If two hours shall have elapsed from the time scheduled for the meeting and no legal quorum is present, the meeting shall be adjourned to the third business day after the date of the meeting, at the same time and place, or to a later day and time or a different place, as shall be determined by the Company's board of directors in a notice to the shareholders. The Company shall give notice of the adjournment of the meeting and the date of the holding of the adjourned meeting through an immediate report.

If no legal quorum is present at the aforesaid adjourned meeting, legal quorum shall consist of one or more shareholders, who is/are present in person or by proxy or via voting card, and holding or representing at least forty percent (40%) of the voting rights in the Company, unless the general meeting shall have been convened pursuant to the demand of shareholders as per the provisions of the Companies Law.

If no legal quorum is present at the adjourned meeting convened pursuant to the demand of shareholders as aforesaid, legal quorum shall consist of at least one shareholder, who is present at the adjourned meeting in person or by proxy or via voting card.

10. **Voting Via Voting Card**

Shareholders may vote in the general meeting in respect of the resolutions on the aforesaid agenda via voting card. The language of the voting card and position statements for the said general meeting are available at the distribution site of Magna at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and on the TASE website at: [www.tase.co.il](http://www.tase.co.il). The vote shall be made on the second part of the voting card, as published on the distribution site of the ISA.

A shareholder may directly contact the Company and receive therefrom, free of charge, the language of the voting card and position statements, or, with his consent, a link to the language of the voting card on the distribution site.

A TASE member shall send, free of charge, a link to the language of the voting card and the position statements at the distribution site to any shareholder who is not registered in the shareholders register, who holds

securities through such TASE member, unless the shareholder shall have notified the TASE member that he is not interested in receiving such link or that he is interested in receiving voting cards by post for postage only.

A shareholder whose shares are registered with a TASE member is entitled to receive the confirmation of ownership from the TASE member through which he is holding his shares at a branch of the TASE member or via post to his address for postage only, if he so requests, provided that a request in this respect is given in advance in respect of a specific securities account.

**The last date for delivery of position statements to the Company is Sunday, August 25, 2013.**

**The last date for delivery of the board of directors' response to position statements, insofar as any such statements are submitted by shareholders and the board of directors chooses to submit its response to such position statements, is Friday, August 30, 2013.**

**The last date for delivery of voting cards to the Company is Sunday, September 8, 2013 at 10:00.**

11. **Notice of a Personal Interest**

A shareholder who participates in the vote in respect of the resolution specified in Section 2.1 above shall notify the Company prior to his vote – and if the vote is via voting card, he shall mark the designated place therefor in Part B of the voting card - whether or not he is deemed as holding a personal interest in the approval of the resolution on the agenda, and whether or not he is a controlling shareholder of the Company, a senior officer of the Company or an institutional investor (as such are defined in the ISA Disclosure Directive regarding the Voting Method of Interested Parties, Senior Officers and Institutional Bodies in General Meetings of November 30, 2011 – the "**Voting Method Disclosure Directive**").

If no such notice is given by the shareholder, his vote shall not be counted. If a shareholder shall have voted on the said resolution through a proxy, the proxy shall also inform the Company before the vote whether or not he is deemed as holding a personal interest in the approval of the resolutions on the agenda, and whether or not he is a controlling shareholder of the Company, a senior officer of the Company or an institutional investor, as such are defined in the Voting Method Disclosure Directive. If no such notice is given by the proxy, his vote shall not be counted.

In the event that the aforesaid controlling shareholder, senior officer or institutional investor shall have voted via voting card or through a proxy, he shall additionally provide the Company (by attachment to the voting card or the proxy) with the following details:

With respect to the shareholder: full name (in Hebrew and in English); ID number and the type of the ID number; place of incorporation (with respect to

a corporation); the country of the passport (if the ID number is a passport number);

In addition, with respect to the proxy (if the voting is made through a proxy): full name; ID number and the type of the ID number; the country of the passport (if the ID number is a passport number);

12. **Inspection of documents**

A copy of this report, including the annexes hereto, are available for inspection at the Company's Offices, after prior coordination by telephone: 03-6081300, on Sundays through Thursdays between 09:00 and 17:00, until the time of the convening of the general meeting for approval of the resolution on the agenda, and also at the ISA website at [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

13. **The Company's representatives in charge of the immediate report**

The Company's representative in charge of this immediate report is Michal Kamir, General Counsel and Company Secretary, whose address is at Azrieli Center, Tel Aviv (Floor 48, the Round Tower). Telephone number for inquiries: 03-6081383, Fax.: 03-6081717.

Sincerely,

**The Azrieli Group Ltd.**

**Signed by: Michal Kamir, Adv.  
General Counsel and Company Secretary**

**Annex A – The Compensation Policy**

# **Azrieli Group Ltd.**

(the "Company")

## **Officer Compensation Policy**

The definitions and terms in this Compensation Policy shall bear the meaning determined therefor in the Companies Law, unless defined otherwise in the Compensation Policy.

### 1. **General**

On December 12, 2012, Amendment no. 20 to the Companies Law, 5759-1999 ("**Amendment 20**" and the "**Companies Law**", respectively) took effect, which concerns regulation of the compensation structure for officers in public companies and in bond companies, and prescribes a special procedure for approval thereof. Pursuant to Amendment 20, the Company's compensation committee (the "**Compensation Committee**") and the Company's Board of Directors adopted this Compensation Policy.

The Compensation Policy was prepared in consideration of the nature of the Company as a company which is active mainly in the field of income-producing property and its being among the largest companies in the Israeli economy, which is included in the TA-25 Index and in the Real Estate 15 Index.

In general, this Compensation Policy reflects the existing situation at the Company with respect to compensation of officers, while adjusting the same to the current legal provisions. The Compensation Policy is intended to provide a sufficiently broad framework to allow the Company's Compensation Committee, Board of Directors and CEO, as the case may be, to determine, for each one of the officers, a personal compensation plan, according to the needs of the Company and in keeping with the best interests of the Company, its employees and its shareholders and the Company's overall long-term strategy.

The policy is based on many years of experience in managing the Company, in its field of business and in the business volume, and on determinations deriving from many years of implementing a unique management method which has led the Company to impressive achievements.

The provisions of this Compensation Policy apply only to the Company's officers (as defined in the Companies Law).

The Compensation Policy is drafted in the masculine gender for convenience purposes only, but its provisions shall apply to both men and women, with no distinction or modification.

2. **Purposes and Considerations in Determination of the Compensation Policy**

The Compensation Policy is intended to assist in achieving the Company's goals, its policy and its work plans and, *inter alia*, with the following aims:

- 2.1. To grant the Company's officers considered, fitting and fair compensation, in consideration of their role and responsibilities.
- 2.2. The Company will be able to recruit and retain top-level, high-quality senior executives having specific expertise and professional knowledge, the ability to lead the Company to business success and to cope with the challenges it faces;
- 2.3. The officers' compensation will be in keeping, *inter alia*, with the size of the Company and the nature of its business.

In formulating the Compensation Policy, consideration was given, *inter alia*, to the Company's customary officer compensation levels and terms of employment in previous years. It is noted in this context that the group of officers of the Company is a relatively small group, most of which has been employed at the Company for long periods and it consists of officers who have unique expertise and vast experience in their specific fields of occupation.

The compensation conditions of directors of the Company, who are controlling shareholders, were approved by the Company's competent organs, after Amendment 20 took effect and concurrently with discussions held with respect to the appropriate compensation policy at the Company. The Compensation Committee and the Board of Directors are of the opinion that such terms are reasonable and fair under the circumstances and are in keeping with an appropriate compensation policy, and therefore such terms shall be deemed as compatible with the Company's compensation policy, as specified below<sup>4</sup>.

Furthermore, for the purpose of this policy, the compensation conditions of officers of the Company (including the directors), under agreements that are in force prior to the release of this policy, shall be deemed, for the term of the Compensation Policy, as compatible with the Company's Compensation Policy.

3. **Manner of Determination of the Compensation – Principles and Rules**

When examining and approving an officer's terms of office and employment, the Compensation Committee and the Company's Board of Directors shall

---

<sup>4</sup> As of the date of the adoption of this policy, such directors are the Chairman of the Board, Mr. David Azrieli, the Vice Chairman of the Board, Ms. Danna Azrieli and the directors Dr. Naomi Azrieli and Dr. Sharon Azrieli. For the terms of office and employment of the Chairman of the Board and the Vice Chairman of the Board, see the immediate report released on June 6, 2013 (Reference No.: 2013-01-058431. For the terms of office of the directors Naomi Azrieli and Sharon Azrieli, see the immediate report released on May 14, 2013 (Reference No.: 2013-01-062026).

address, *inter alia*, the following issues, insofar as they are relevant to the officer:

- 3.1. The officer's education, qualifications, expertise, professional experience and achievements.
- 3.2. The officer's role, responsibilities and his expected contribution to achieving the Company's goals.
- 3.3. Previous salary agreements of the officer.
- 3.4. The terms of employment of holders of parallel positions at the Company.
- 3.5. The ratio between the terms and conditions of office and employment of the Company's officers and the salary of the other employees of the Company and of contractor employees who are employed at the Company<sup>5</sup>, and, particularly, the ratio relative to the average salary and the median salary of such employees and the effect of the disparities on the working relations at the Company. The Compensation Committee and the Company's Board of Directors have conducted such examination, as of the date of approval of this policy, and have determined that the ratio<sup>6</sup> is reasonable and not expected to affect the working relations at the Company.
- 3.6. The fact that the Company's policy with respect to the officers of the Company (with the exception of the Chairman of the Board), determines that the fixed component as aforesaid is required to carry the main weight<sup>7</sup> in the total compensation package of the officers of a company of the Company's type and character, based on the view that such a mix has a mitigating effect on the risk profile of the conduct of the officers compared with a mix in which the weight of the variable compensation (based on numerical targets) is more significant. Furthermore, such mix encourages action based on long-term vision and considerations and conduct founded upon long-term processes.
- 3.7. Presently, the Compensation Policy does not include capital compensation. It is noted that, in light of the fact that on the date of approval of this Compensation Policy, the Company has a plan, in the framework of which, in the past, officers of the Company were given phantom options, and that the last vesting period under the said plan is

---

<sup>5</sup> "salary" – as per the meaning of such term in the First Schedule A of the Companies Law. In the calculation of such ratio, the employees of Azrieli Group Ltd. and the senior officers of Azrieli Group Ltd. shall be included.

<sup>6</sup> In the calculation of such ratio, the employees of Azrieli Group Ltd. and the executive officers of Azrieli Group Ltd. were included.

<sup>7</sup> Standardizing the cost of salary to terms of full-time position – at least 80% of the total compensation to an officer (and with respect to the Chairman of the Board – at least 45% of the amount of the total compensation). It is clarified that this ratio may vary due to Index linkage differentials..



expected to end in mid-2015<sup>8</sup>, and considering that this policy is effective for three years, the Compensation Committee and the Board of Directors have found no need to determine new framework conditions for the granting of phantom options in the current Compensation Policy. Therefore, the rates of compensation mentioned above, do not include compensation deriving as a result of the exercise of phantom options that were granted prior to the adoption of this policy. If and insofar as the Company wishes to grant additional phantom options during the term of this policy, then such grant shall be subject to the considerations, provisions and examinations required under Amendment 20 and the approvals required under any law.

#### 4. Compensation Conditions of Directors

##### 4.1. Compensation of outside directors and other directors (who are not controlling shareholders of the Company and do not receive a salary or management fees):

The compensation of outside directors and other directors of the Company who are not controlling shareholders of the Company and do not receive a salary or management fees, as shall serve from time to time, will be the maximum compensation as shall be determined pursuant to the Companies Regulations (Rules regarding Compensation and Expenses of Outside Directors), 5760-2000 (the "**Compensation Regulations**"), as shall be updated from time to time, and in accordance with the Company's ranking, as being from time to time. For this purpose, whether the director is an expert in accordance with the definition of an expert outside director in the Compensation Regulations will be taken into account. In addition, the said directors will be entitled to reimbursement of expenses pursuant to the Compensation Regulations.

##### 4.2. Compensation of directors who are controlling shareholders (who do not receive a salary or management fees):

The compensation of directors who are controlling shareholders (who do not receive a salary or management fees)<sup>9</sup> shall be the compensation approved by the Compensation Committee and the Company's Board of Directors in May 2013, and it shall be deemed compatible with this policy. For details, see the immediate report of May 13, 2013 (Reference No.: 2013-01-062026).

---

<sup>8</sup> The terms and conditions of the phantom units actually granted to officers of the Company prior to the adoption of this Compensation Policy shall continue to apply without any modification of the terms and conditions thereof.

<sup>9</sup> As of the date of this report, Dr. Naomi Azrieli and Dr. Sharon Azrieli, who are indirectly controlling shareholders of the Company, serve as directors.

4.3. Compensation conditions of the (Active) Chairman of the Board:

The terms and conditions of service of the Active Chairman of the Board, who is indirectly a controlling shareholder of the Company, were approved by the Compensation Committee, the Company's Board of Directors and the Company's general meeting in May and June 2013, and they shall be deemed compatible with this policy. For details, see the report on the convening of a meeting dated June 6, 2013 (Reference No.: 2013-01-058431).

4.4. Compensation conditions of (Active) Vice Chairman of the Board:

The terms and conditions of service of the (Active) Vice Chairman of the Board, who is indirectly a controlling shareholder of the Company, were approved by the Compensation Committee, the Company's Board of Directors and the Company's general meeting in May and June 2013, and they shall be deemed compatible with this policy. For details, see the report on the convening of a meeting dated June 6, 2013 (Reference No.: 2013-01-058431).

4.5. Compensation conditions of (Active) Deputy Chairman of the Board:

The terms and conditions of service, which are established in a binding agreement, of the (Active) Deputy Chairman of the Board, and which were approved in the past founded upon and based on his past and present vast contribution to the Company, his years-long experience and his expertise in the Company's business sector. The Compensation Committee and the Board of Directors are of the opinion that such terms and conditions are reasonable and fair under the circumstances and for the purpose of this policy they shall be deemed as compatible with the Company's compensation policy. For details, see Note 38(c)(5) of the Company's consolidated financial statement, as released within the Company's financial statement for 2012, on March 20, 2013.

4.6. Section 8 below shall apply to all of the directors serving at the Company.

5. **Officers (who are Not Directors) – the Fixed Component**

In this policy – "**monthly cost of employment**" – total cost of monthly management fees or of salary, plus social rights, 13<sup>th</sup> salary and the cost of benefits related to the salary, but excluding variable salary components (if any) and related payments such as bonuses and phantom options, and excluding vehicle and communication expenses and so forth.

5.1. The ceiling for the monthly cost of employment paid to the Company's CEO shall not exceed NIS 255 thousand, linked to the rate of the rise in the consumer price index for February 2013, as published on March 15, 2013, for a 100% position<sup>10</sup>. In addition, and subject to appropriate

---

<sup>10</sup> The compensation conditions of the Company's CEO, in office as of the date of approval of this Compensation Policy, were approved by the competent organs of the Company, including the

approvals pursuant to any law, 0% to 7% of the monthly cost of employment may be added each year (over and above linkage to the index).

- 5.2. The ceiling for the monthly cost of employment of any other officer of the Company who is not a director or the CEO (whether he is retained through a management company or as a salaried employee) shall not exceed the cost of his employment at the time of adoption of this policy. However, in order to allow for the retaining of officers serving for a duration of time, the Company may update the monthly cost of employment from time to time, at a range between 0% and 7% a year (over and above linkage to the index as specified below), subject to approval by the Compensation Committee and the Board of Directors. As of the date of adoption of this policy, the highest monthly cost of employment of an officer of the Company, other than a director or CEO, amounts to NIS 227 thousand per month. It is clarified that with respect to a new appointment to a specific position of a serving officer or a new officer, such ceiling shall refer to the monthly cost of employment of the predecessor. If an identical position did not exist at the Company prior to such appointment, the ceiling shall refer to the monthly cost of employment of an officer in a parallel position at the Company. With respect to the renewal of an agreement with an incumbent officer, such ceiling shall refer to the cost of employment of the officer according to the last effective agreement with him.
- 5.3. The monthly cost of employment of an officer shall be linked to the Consumer Price Index.
- 5.4. Due to the officers being holders of senior executive positions, within the meaning thereof in the Hours of Work and Rest Law, 5711-1951, this law shall not apply to their terms and conditions of service and they shall not be entitled to compensation for working overtime or during the weekly rest time.
- 5.5. Social and related benefits: In addition to the current monthly salary (gross) or management fees for each officer, the Company may bear social and other related benefits, as specified below (the provisions of Sections 5.5.1 to 5.5.4 will only apply with respect to officers who are salaried employees of the Company and not with respect to those who provide services through a management company):
  - 5.5.1. Favorable pension arrangement, loss of working capacity and advanced study fund;
  - 5.5.2. Leave days – up to a ceiling of 30 days a year and no less than as set forth in the law, including entitlement to accrual of the leave days and to redemption of the leave days.

---

Company's general meeting after the taking effect of Amendment 20. For details, see the immediate report released on June 6, 2013 (ref. no.: 2013-01-058431).

- 5.5.3. Recuperation pay – up to a ceiling of 15 days a year and no less than as set forth in the law.
- 5.5.4. Sick days – up to a ceiling of 35 days a year and no less than as set forth in the law, including entitlement to accrual of the sick days and without entitlement to redeem the same.
- 5.5.5. Annual medical examination which shall be carried out for the Company's officers in accordance with the Company's procedures.
- 5.5.6. A company car (no higher than grade 7 for the Company's CEO and no higher than grade 6 for another officer) or alternatively payment of car expenses, including grossing-up of the value of the benefit for tax purposes.
- 5.5.7. In addition, the Company will be entitled to grant the officers related benefits as accepted for officers of the same ranking such as: a mobile telephone, including the bearing of the full cost and usage thereof, a laptop, internet connection, a subscription to a daily newspaper, financing of participation in professional conferences, professional literature, professional liability insurance, professional association membership fees, holiday gift, and financing of various advanced studies, including the bearing of the costs of academic studies, all including grossing-up of the value of the said benefits for tax purposes.
- 5.5.8. In addition, the Company will be entitled to indemnify the officers (including a management company through which the officers' services are provided), as accepted in such positions, in respect of out-of-pocket expenses that they shall incur in the framework of their position, all in accordance with the Company's procedures. Reimbursement of such expenses shall not exceed a maximum amount to be determined, from time to time, at the Audit Committee, and which shall be determined thereby as appropriate, considering the Company's business and the scope thereof.

6. **Officers (who are not directors) - Variable Component (Bonuses)**

Variable annual bonus for officers who are not directors

The Company deems fit to determine, in the Company's best interests and for the promotion of its objectives, its work plan and policy based on a long-term perspective, that the Company will be entitled, but not obligated, to grant officers who are not directors, a variable component (bonus), in an amount that shall not exceed 20% of the total cost of annual compensation of the officer, all in accordance with the criteria specified below.

This policy stems, *inter alia*, from the view that a mix in the aforesaid scopes has a restraining effect on the risk profile of the officers' conduct, particularly in light of the Company's unique management structure, the complexity of their roles, the size of the Company and the nature of its operations and the Company's impressive achievements throughout years in which it has implemented such policy.

Due to the fact that the Company's management structure is unique and the officers of the Company have unique expertise and many years of experience in their specific field of occupation and the Company's business sectors, it has been determined that the criteria for measuring their entitlement for the bonus (considering that the variable component is not material in respect of the total compensation), shall be mainly based on their unique contribution according to their senior position, the scope of their responsibilities and their importance in long-term processes and in achievements of the Company's long-term goals. The Compensation Committee and the Board of Directors further determined another criterion, which is that the payment of the bonus is contingent upon meeting a threshold condition, which is based on the Company's results, as specified in this policy below.

The manner of determining an annual bonus for an officer (who is not a director), shall be according to the criteria specified below:

- 6.1. First criterion – quantitative threshold condition – A precondition to payment of a bonus to officers in a specific year is that the average Adjusted Profit, as defined below, in the three years preceding the relevant date, is equal to or greater than NIS 565 million.

**"Adjusted Profit"**<sup>11</sup> for this purpose, in respect of any calendar year – annual pre-tax profit, in accordance with the Company's audited consolidated annual financial statements, net of the amounts specified below: (1) a dividend received from financial assets available for sale included in the annual pre-tax profit; (2) profit (loss) deriving from revaluation of real properties; (3) results of companies which do not engage in the Company's core business (real estate) and were included in the annual pre-tax profit; (4) linkage differentials accrued on financial liabilities; (5) interest expenses at the actual weighted effective interest rate for such year, of the Company and companies controlled thereby which engage in the Company's core business, on loans (regardless of whether or not they were taken), at a financing rate of 65% on the historical purchase cost on the books of the investment in the companies which are not in the core business; (6) the sum total of the management fees (including bonus) of Mr. David Azrieli for such year, as included in the annual pre-tax profit; (7) the sum total of

---

<sup>11</sup>It is noted that the definition of "Adjusted Profit" is identical, other than with respect to the addition of Subsection (7) above, to the definition of "Adjusted Profit" with respect to the conditions of the annual bonus of the Company's Chairman of the Board, as approved by the Company's general meeting in June 2013.

the bonuses given to the Company's officers (with the exception of Mr. David Azrieli), as included in the annual pre-tax profit; and (8) profit (loss) from financial assets (marketable securities) held for trade, including interest and dividends in respect thereof.

- 6.2. Second criterion – measurement of the officer's contribution – in the event of compliance with the threshold condition, the Compensation Committee and the Board of Directors shall examine, with respect to the CEO - after receipt of the recommendation of the Company's Chairman of the Board, or with respect to a specific officer who is not a director – after receiving the recommendation of the Company's CEO after he consults with the Chairman of the Board, the officer's meeting the criteria, which shall mainly be based on his unique contribution according to his senior position, the scope of his responsibilities and his importance in long-term processes and the achievement of the Company's long-term goals.
- 6.3. Third criterion – the amount of the bonus – in the event that the aforesaid is fulfilled, the Compensation Committee and the Board of Directors may decide with respect to a specific officer, to grant a bonus at a rate equal to the multiplication of the monthly cost of employment of the officer by 0 to 3. That is to say, the annual bonus amount, insofar as it is decided to grant it, will not exceed the sum of 3 times the monthly cost of employment of the officer, for each one of the officers who are not directors as aforesaid.
- 6.4. Reduction of bonus – it is clarified that the Compensation Committee and the Company's Board of Directors shall be entitled, as per their absolute discretion, to decide to reduce the bonus amount, or to not grant any bonus to the officer.
- 6.5. Relative bonus or no entitlement - in the event that the bonus refers to a calendar year in which the employment relationship between the officer and the Company was terminated, the aforesaid criteria shall be updated proportionately to the period of the officer's employment in the same year.
- 6.6. Reimbursement of bonus amounts that were paid – Should it transpire, in retrospect, and during the 3 years after the date of payment of the bonus, that the figures on which the Company relied with respect to the meeting of the criterion of the threshold condition for the bonus, as specified in Section 6.1 above, which is based on data in the financial statements, which shall have transpired to be incorrect, in such manner that, under generally accepted accounting principles, requires their restatement in the Company's financial statements, and that after the restatement, the threshold condition was not fulfilled in the relevant year, the officer shall return to the Company the sum of the bonus that he received for such year. The manner of repayment of the amounts to the Company, including a payment schedule, the reimbursement dates, linkage of the amounts etc. shall be determined by the Compensation Committee and the Company's Board of Directors.

6.7. For the avoidance of doubt, if a bonus is paid to an officer under this policy, it neither constitutes nor shall it constitute part of the officer's salary, and it shall not constitute a basis for calculation and/or entitlement and/or accrual of any related right, among which (but without derogating from the generality of the matter) it shall not be used as component for the purpose of payment of leave, severance pay, provisions to provident funds and the like, unless it is approved in advance in the framework of the employment agreement by the Compensation Committee and the Board of Directors.

7. **Retirement Arrangements (for Officers who are Not Directors)**

The Company will be entitled, with the approval of the Board of Directors and subject to the recommendation of the Compensation Committee, to approve for the officer conditions regarding retirement arrangements, *inter alia* as specified below:

7.1. Severance pay

In the event of termination of the employment relationship (except under circumstances of termination of the officer which, in the opinion of the Compensation Committee and the Board of Directors, confer upon the Company the right to terminate him without payment of severance pay pursuant to law) the officer (insofar as he is an employee of the Company and does not provide services through a management agreement) will be entitled to the release of monies accumulated for him in funds and to the supplementation of severance pay (i.e. he shall be deemed, for this purpose only, as having been terminated).

7.2. Prior notice

7.2.1. As part of the terms and conditions of service and employment, an officer of the Company will be entitled to a prior notice period in any event of a termination of the office, ranging between 1 and 6 months, considering, *inter alia*, his position and the term of his office. The prior notice period for each officer shall be determined in the Officer's employment agreement (or the renewal thereof, as the case may be) and shall be mutual (also binding the officer).

7.2.2. During the prior notice period, the officer will be required to continue to carry out his duties, unless the Company decides, as per its discretion, to release him from such obligation, provided that he will be entitled to have all of his terms of office and employment continue during the prior notice period, unmodified, except with respect to the bonus which, insofar as shall be granted in accordance with Section 6 above, will relate to the period of the officer's actual employment only. In such event where the officer is released from the obligation to continue fulfilling his duties, the Company shall

be entitled (but not obligated) to pay the consideration due to the officer *in lieu* of the prior notice, plus the value of the related payments, in one payment, upon the actual termination of work.

7.3. Retirement and Adjustment Bonus

As part of the terms and conditions of service and employment, the Company will be entitled to pay the officers a retirement bonus, as specified below:

- 7.3.1. CEO – will be entitled to an adjustment payment at a rate equal to the monthly cost of employment due to a period ranging between 0 and 9 months of service, plus all of the related benefits specified in Section 5.3 above, provided that the prior notice period according to Section 7.2 above and the adjustment period according to this Section 7.3.1 shall not exceed 12 months in the aggregate.
- 7.3.2. Officers who are not directors or the CEO – an adjustment payment at a rate equal to the monthly cost of employment due to a period ranging between 0 and 3 months of service. Payment of a retirement bonus as aforesaid with respect to such officers will be made in accordance with a resolution of the Board of Directors based on the recommendation of the Company's CEO and the Compensation Committee, in consideration of the officer's achievements and performance during his employment at the Company, as well as the Company's performance in such period. In any event, the prior notice period according to Section 7.2 above plus the multiplication of the number of months for the calculation of the bonus as provided in this Section 7.3.2 shall not exceed 9 months.
- 7.4. Non-competition – as a rule, the officers shall undertake in writing, within their employment agreement, to refrain from competing with the Company for a period to be determined in the employment agreement. It is clarified that in any event in which the officer is entitled to an adjustment payment and/or retirement bonus and/or severance pay at a rate exceeding the rate prescribed by law, such amounts shall be paid against the officer's signing a non-competition undertaking and a letter of waiver and release vis-à-vis the Company and anyone on behalf thereof in connection with his office, employment and termination of employment at the Company, on the date of the termination of the office, in the languages customary at the Company.
- 7.5. Negation of retirement arrangements – in events where the termination of the officer's employment is done under circumstances, which, in the opinion of the Compensation Committee and the Board of Directors, grant the Company the right to dismiss him without payment of



severance pay under law, the officer shall also not be entitled to prior notice, payment *in lieu* of prior notice, retirement bonus and adjustment payment, severance pay, all as the case may be.

8. **Exemption, Insurance and Indemnification**

The Company will be entitled to grant the officers an exemption from liability, liability insurance (including run-off insurance policies) and an indemnification undertaking, all subject to the provisions of the Companies Law and the Company's articles.

Without derogating from the generality of the aforesaid, the Company will be entitled, at any time during the period of this Compensation Policy, to purchase liability insurance policies for directors and officers (including controlling shareholders), as serving at the Company from time to time, to extend and/or renew the existing insurance policy and/or to engage in a new policy on the renewal date or during the insurance period, with the same insurer or another insurer in Israel or overseas, under the conditions specified below, for directors' and/or officers' liability insurance, provided that the said engagements shall be based on the main conditions specified below and the Compensation Committee and the Company's Board of Directors shall have approved the same:

- 8.1. The limit of liability in the insurance policies, as shall be taken out from time to time by the Company, shall not exceed U.S. \$100 million per event and for the insurance period, plus reasonable legal defense expenses in Israel beyond the limit of liability, and with respect to a claim filed abroad – reasonable legal defense expenses beyond the limit of liability, according to the legal costs which are acceptable in Israel, and according to Israeli law.
- 8.2. The deductible per claim to the company shall not exceed U.S \$150 thousand in accordance with the cause of action and the place of filing thereof.
- 8.3. The annual insurance premium shall not exceed \$250,000.
- 8.4. The insurance policy shall be expanded to cover claims that shall be filed against the Company (as distinguished from claims against directors and/or the officers thereof) concerning a breach of securities law at least in Israel (entity coverage for securities claims) and payment arrangements of insurance proceeds shall be determined whereby the right of the directors and/or the officers to receive indemnification from the insurer according to the policy precedes the right of the Company.
- 8.5. The policy shall cover also the liability of the controlling shareholders by virtue of their duties as directors and/or officers of the group, from time to time, provided that the coverage conditions in respect thereof shall not exceed those of the other directors and/or officers of the group.

9. **Miscellaneous**

- 9.1. It shall be emphasized that the provisions of this Compensation Policy do not prejudice existing agreements and/or binding customs (if any) between the Company and the officers thereof on the eve of approval of this Compensation Policy. Previous agreements between the Company and officers thereof shall not be terminated upon the entering into effect of this policy. An existing agreement that is limited in time, which shall come to termination, shall be renewed in accordance with the Compensation Policy. As of the date of the release of this policy, in the existing employment agreements with the Company's officers, the Company preserves the right to terminate their employment at any time, subject to a prior notice and/or an adjustment period in the scopes provided thereby. In addition, the Active Chairman of the Board, the Active Vice Chairman of the Board and the Active Deputy Chairman of the Board have employment agreements which are limited in time.
- 9.2. There may be changes to the identity of the officers from one year to the next, and executives who served as officers in a certain year and the terms of whose office and employment were subject to this Compensation Policy, will not necessarily continue their office as officers in subsequent years, and the terms of their office and employment will not be subject to this policy and *vice versa*. In addition, the Company will be entitled to modify the terms of office and employment of any officer at any time, and shall be subject to no obligation to apply to the officer the same terms of office and employment that applied to him in previous years.
- 9.3. This Compensation Policy does not confer legal rights upon the Company's employees in general and the officers and directors of the Company in particular. It is clarified that the compensation components specified in this plan only constitute a framework and top bar, in relation to which the personal compensation plans shall be determined for each of the officers of the Company. It is emphasized that the Company is not obligated to grant the officers or any one of them, including the directors, all of the aforesaid components (except as mandated by law), and is not obligated to grant the maximum amount set for each one of the components. Insofar as the officer is granted compensation that is lower than the compensation described in this policy for an officer holding a similar position at the Company, this shall not constitute a deviation from the provisions of this policy.
- 9.4. Payment to an officer, who provides services to the Company as an independent contractor or through a management company, shall reflect the cost of the fixed compensation components (plus taxes under law), in accordance with the Compensation Policy.
- 9.5. It is clarified that the compensation components specified in this policy do not refer to various components that the Company, at times, grants to some or all of its employees, such as: parking spaces, entry passes to

its assets, *per diems*, vacations, company events and the like, and the Company shall not be restricted in connection therewith.

- 9.6. It is clarified that the provisions of this policy do not derogate from the provisions of the Companies Law and/or the Company's articles with respect to the manner of approval of the Company's engagement with any officer in connection with their terms of office and employment. For the avoidance of doubt, it is clarified that in the event that the provisions of the Companies Law or regulations by virtue thereof shall be amended in a manner which is more lenient on the Company with respect to its mode of action regarding compensation of the officers thereof, the Company will be entitled to act pursuant to such provisions, even if they contradict the provisions of this Compensation Policy.
- 9.7. The Compensation Policy will be valid for 3 years from the date of approval thereof by the Company's general meeting, and once every three years the Compensation Policy shall be presented for the approval of the competent organs at the Company, pursuant to the provisions of Section 267A(d) of the Companies Law.
- 9.8. Without derogating from the provisions of Section 9.7 above, the Compensation Committee and the Board of Directors shall examine, from time to time, and at least once a year, the implementation of the Compensation Policy and the need to adjust and update the same to the provisions of Section 267B of the Companies Law, if a material change occurs in the circumstances that existed at the time of determination thereof or for other reasons. Changes in the Compensation Policy, if any, shall be approved pursuant to the provisions of the law.

\* \* \* \* \*

**Annex B – Details regarding the Director Tzipora Carmon**

<b>Name:</b>	<b>Tzipora Carmon</b>
<b>I.D. No.:</b>	51528933
<b>Date of birth:</b>	December 7, 1952
<b>Address for service of process:</b>	1 Azrieli Center, Tel Aviv
<b>Citizenship:</b>	Israeli
<b>Membership of Board of Directors Committees:</b>	Audit Committee, Finance Committee, Administrative Enforcement Committee and Compensation Committee
<b>Outside Director/Independent Director:</b>	Independent director
<b>Position held in the Company, a subsidiary, an affiliate of the Company or of an interested party thereof:</b>	None.
<b>Commencement date of office as a Director:</b>	May 19, 2013
<b>Education:</b>	MBA with a major in marketing and international commerce. BA in education and sociology from the Hebrew University in Jerusalem.
<b>Occupation in the last five years and specification of other corporations wherein he serves as director:</b>	1992 to date: manages the company TC Exports. 2009 to date: member of the board of directors of Delta Galil Industries Ltd.
<b>Family relation to another interested party in the Company:</b>	No
<b>Has expertise in finance and accounting or professional qualification:</b>	Has expertise in finance and accounting and a professional qualification.

**Annex C – Statements of the Nominees for Service as Directors**